The ACCC has settled the ‘Informed Sources’ case and this will help empower petrol customers.

How does this help petrol buyers?

Let’s start with the economics. If businesses exchange price information in a way that is not available to the general public, then competition regulators should be concerned. Businesses can use this information to signal each other about their pricing intentions. The aim is to reach a ‘tacit agreement’ to generally raise prices, share a market or otherwise limit competition in order to raise profits and rip off consumers.

The ACCC has been concerned about petrol retailers sharing price information through a third-party company called Informed Sources (IS). IS was set up to save time and effort for petrol retailers. By connecting the subscribing retailers, IS enables them to exchange their price information on a location-by-location basis, in real time. So, no more sending out staff to check rivals’ price boards.

However, the 2007 ACCC inquiry into the price of unleaded petrol raised concerns that the IS price exchange was being used by the retailers to signal price rises. The price information was not available to the public. Only subscribing retailers could get the information. So the IS system did not increase general price transparency. But it did seem to be what economists call a ‘collusive device’ or a ‘facilitating practice’: helping petrol retailers to raise the price when (from the retailers' perspective) the price is too low.

The ACCC launched a case under the anti-competitive contract provisions of Australia’s competition laws. The case was settled just before Christmas. The main change will be that the data distributed by IS will also be available to consumers and third-parties who want to use the data to inform consumers. So expect a flurry of real time petrol price phone Apps, and other types of real-time updates.

Why is this important?

First, because petrol prices are important to many Australian households. Improving the flow of information will help the market to work better with more competition and lower prices. Consumers can quickly punish any retailer who tries to lead a price rise. And if one brand of retailer tends to keep higher prices it will simply lose custom to its rivals.

Second, the IS settlement sets a useful precedent for future competition cases involving ‘concerted practices’. The Competition Policy Inquiry (Harper inquiry) recommended that the competition laws be extended to make illegal business practices that help dampen competition and facilitate collusion if they substantially lessen competition. The government has agreed to introduce such a law. But in many ways the IS case is a first example of a facilitating practices case.

Can households expect a big fall in petrol prices?

No.

The IS settlement will only affect retail margins. But most of the cost of a litre of petrol is the international cost of importing petrol (yes - Australia is a net importer of the fuel we use in our cars) and government taxes. As the ACCC fuel facts note, for unleaded petrol:

“The international price and taxes make up around 88 per cent of the retail petrol price and are effectively fixed components that are out of retailers’ control. This leaves around 12 per cent of the retail price, which refiners, wholesalers, distributors and retailers use to cover their costs and make a profit.”

So the ACCC’s settlement will, at best, lower petrol prices by a couple of cents per litre over the price cycle. It may also change the cycles that are common in Australian cities.

The big factors that will move petrol prices this year are the Singapore “US dollar price” of refined unleaded petrol and the Australian dollar exchange rate. And unfortunately for petrol buyers, while world oil prices are dropping, so too is the exchange rate.

So if Australians want lower prices at the petrol bowser, they should hope that the world price of oil keeps dropping - and does so faster than our currency!

The key impact of the settlement in the Informed Sources case will not be lower prices but consumer control. The more we can access easy-to-use information about petrol prices, the smarter we can buy. And for many consumers, the knowledge that they are not being ripped off is as important as a dollar or so a week saving on the petrol bill. Fortunately, the ACCC settlement should deliver both.

Disclosure

Stephen King was a Member of the 2007 ACCC inquiry into the price of unleaded petrol. He provides occasional advice to the ACCC on petrol matters.

Read more http://theconversation.com/accc-settlement-will-empower-petrol-consumers-53276