

The Manager
New Fuel Subsidy Scheme
Office of State Revenue
33 Charlotte St,
BRISBANE QLD 4000

Dear Sir,

Thank you inviting the Service Station Association to make a submission regarding the OSR's proposal to change the way the Queensland Fuel Subsidy is to operate. We also thank you for the opportunity to meet with you and other OSR officers in person to discuss the proposals.

The SSA mainly represents service station operators in NSW, but does have a small membership base of Queensland businesses. In addition to the impacts on these members, we are also concerned about the impacts these changes would have on service stations in NSW in close proximity to the border with Queensland.

As a summary statement, the SSA is unable to support the changes and wishes to voice its objections. Our detailed response is as follows:

- The cost burden on the service station industry will be significant. More importantly, the cost burden will fall most heavily on single site and small multi-site independent operators. This is due to the fact that all sites will require significant software upgrades to meet the scheme's requirement so as to safeguard against fraud from phantom transactions. Many smaller sites will not have point of sale systems in place that will easily be upgraded, requiring investment in total re-equipment - hardware and software. The larger networks such as oil companies and supermarkets will be able to spread a single software upgrade over a large number of sites, thereby minimising the cost per site. In an already extremely competitive environment where smaller independents are struggling to survive, these consequences will inevitably force some operators out of the industry. Diminishing numbers of independents will have the effect of reducing competition to the detriment of fuel prices going forward. From the standpoint of consumers as well as from the standpoint of the industry, we cannot support such an outcome.
- The OSR proposal requires additional signage on price boards for all products. Not only would this requirement add cost to each service station, it would also have the potential to confuse motorists by putting

too much information on the board. The key message should be the unsubsidised price and an additional notice advising motorists of the size of the subsidy. It should only be mandated for the most common grade, unleaded petrol. If individual sites wish to post additional grades and additional price information, then that should be their choice. The market will decide the optimum pricing messages to attract business.

- The SSA is very concerned about the implications for New South Wales service stations located in close proximity to the border with Queensland. Currently, these sites receive a subsidy from the NSW Government to enable them to compete with Queensland service stations. Under this proposal, those NSW service stations will still require some form of price subsidy which may well lead to confusion in the minds of affected motorists. For instance, it is quite conceivable that the board price in Tweed Heads for example, could be 8 cpl lower than the board price in Coolangatta. Such a message would be sure to generate hostile comment from uninformed consumers.
- The requirement that all recipients of subsidised sales would have to be issued with a receipt is excessive. It should be sufficient for the customer to be offered a receipt and for it only to be produced if so requested. Otherwise, there will be a significant increase in the consumption of paper being produced and ultimately discarded.

It seems to us that the main objective of the scheme is to improve the recognition by Queensland motorists of the extent and benefit of the Government's subsidy. Whilst we have no objection to this goal, we maintain that the costs far outweigh the benefits and therefore the scheme should not be pursued unless the Queensland Government were to reimburse all sites for the costs of implementing it. Even then, we don't believe the scheme has merit.

Were the Queensland Government to restrict the subsidy to bona fide Queensland motorists and enable NSW service stations in border areas to participate, then the SSA may be able to support the scheme if service station operators' costs were met. However, more detailed consultation would be required.

We trust you find this submission of some benefit and remain available to discuss any issue with at your convenience.

Yours sincerely,

Ron Bowden
Chief Executive Officer