

30 November 2005

Mr Andrew Fraser MP
Member for Mount Coot-tha
Chair
Impact of Petrol Pricing Select Committee
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Dear Mr Fraser

Thank you for the opportunity to provide a submission to the Select Committee's inquiry into the impact of petrol pricing in Queensland.

Commerce Queensland, as the State's Chamber of Commerce and Industry, represents the interest of about 25,000 businesses, many of which operate in regional Queensland. On that basis, our interest is particularly focussed on the economic and financial consequences of current fuel prices in regional Queensland.

Commerce Queensland's September Quarter Pulse survey of business confidence (sent to all members) asked a series of questions on the impact of high petrol prices on Queensland business.

The results from the survey, which provides the only regional breakdown of business conditions throughout Queensland, indicated that fuel costs were having 'some' to 'considerable' impact on 75 per cent of responding businesses.

This outcome is underlined by the Australian Automobile Association's most recent analysis of Queensland petrol prices, which indicates that country towns have paid and continue to pay significantly higher fuel prices than their city counterparts. For example, in Rockhampton the average margin over the past 12 months was 3.8 cents per litre (cpl), but in October the margin jumped to 10.7cpl. Similar price hikes were recorded in regional centres across the State. Preliminary figures for November show no respite – the average price in Mt Isa is a whopping 21.5cpl above the average price in Brisbane, compared to an 8.0cpl margin over the past 12 months.

According to Pulse, more than half (56 per cent) of businesses were absorbing the increase in fuel costs into their profit margins.

Only one in 10 businesses said they had increased their selling prices to accommodate the rising fuel costs.

Regardless of how they were absorbing the costs, two thirds of respondents suggest they can only continue to accommodate fuel prices in this current manner for another three to six months.

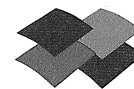
The effect of fuel prices was also reflected in the Pulse Survey's findings on general business conditions, particularly profitability. A third of respondents indicated that profitability weakened during the September quarter. Only a quarter indicated that their profit levels had strengthened. (Note, skills shortages are also a significant contributing factor.)

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These results were particularly evident in regional Queensland - businesses in North and Far North Queensland indicated the greatest decrease in profit levels.

There is not doubt that high petrol prices are hurting Queensland business. Quite clearly, if there is not some relief soon, business will have no choice but to increase their prices for the provision of goods and services, which will mean consumers losing out.

Commerce Queensland has recently written to the Australian Competition and Consumer Commission calling for more regular monitoring and analysis of petrol price movements. It is not a matter of further regulation, but rather improving transparency through providing more regular public reporting of those factors, such as oil company margins, that contribute to pricing outcomes.

I trust this information is helpful to your deliberations.

Yours sincerely

Paul Bidwell
General Manager - Policy