



24 March 2016

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240
Email: ipart@ipart.nsw.gov.au

Dear Sir/Madam,

Thank you for the opportunity to provide feedback to **the Independent Pricing and Regulatory Tribunal (IPART)** concerning the *'Draft Terms of Reference'* in relation to a maximum price for wholesale ethanol, with submissions closing on 24 March 2016.

The Motor Traders' Association of New South Wales (MTA) is the largest employer automotive organisation in New South Wales. MTA's membership primarily consists of businesses operating in the retail motor industry. In particular, these businesses trade as new and used motor dealers, automotive repairers, smash repairers, service stations and a variety of specialist sectors of the industry.

This submission is written on behalf of our members whom own and operate independent service station businesses and believe that market driven solutions always deliver a better outcome for motorists.

In regards to a maximum price for wholesale ethanol for use in automotive fuel blends, one suggested approach to achieve a significant and sustainable market penetration is to establish E10 as a separate product with its own pricing regime.

It is recognised that E10 is a blend of unleaded petrol and locally produced ethanol, up to 10%, but the wholesale price of ethanol should be stand alone, and not rise and fall as do other petroleum products based on world parity / international factors (eg Tapis Crude and Singapore Refined Product).

Please refer to the chart below showing the Caltex Terminal Gate (Wholesale) Price in Sydney as at 24 March 2016. The Caltex Terminal Gate Price is a wholesale price for the bulk supply of petroleum products:

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	Unleaded		Premium Unleaded		98 Unleaded		Bio E10 Unleaded		Diesel	
	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous
Sydney*	107.66	107.78	118.09	118.19	123.91	124.02	106.58	106.71	102.08	102.11

Current effective from 24 March 2016. Previous effective from 23 March 2016.

*Terminal Gate prices for Sydney apply at Caltex Banksmeadow Terminal and Caltex Mobil Silverwater Terminal

The wholesale price difference between Unleaded Petrol (ULP) and E10 is only 1.08 cents a litre. In Sydney, as at 24 March, the average retail price difference between Unleaded Petrol (ULP) at 114.9 cents per litre and E10 at 112.7 cents per litre is only 2.2 cents a litre.

The current price differential is not enough and motorists are keen to see the lower cost benefits of ethanol flowing through to the petrol pump. Therefore, if they can identify an attractive price difference between E10 and Unleaded Fuel, the sales of E10 will increase.

The MTA supports the Governments initiative to increase the usage of biofuels by vehicle owners. However, the Association believes this objective is best met by improving the fuel consumption cost comparison between E10, Unleaded and Premium Unleaded.

MTA has been advised by Members that their customers do not consider E10 as good value (cents per litre consumption) when compared to current pricing differentials. The MTA believes that as vehicle owners are choosing to purchase the alternate fuel, there is a need for a greater price differential between E10 and ULP. This would change their purchasing preferences and increase the use of blended fuels which will meet the NSW Government's objectives and would not require additional regulation and unnecessary investment by Small Business Operators with no solid foundation for investment return.

In summary, it can be said that motorist's interest in alternative fuels generally increases when the alternative fuel price (E10) is less than the conventional fuel price (ULP) on a per litre basis, even if that differential does not directly translate to savings on a cents per litre consumption basis.

Through a price differential of six (6) or more cents, vehicle owners will adopt and embrace the use of E10, which MTA believes will see the Governments desired target outcome being achieved.

The Motor Traders' Association of NSW appreciates the opportunity provided by the Tribunal to respond to the Draft Terms of Reference and offers its services to participate in an education program with our Members, as appropriate.

Yours faithfully,

MOTOR TRADERS' ASSOCIATION OF NSW



Greg Patten
Chief Executive Officer