

STATES OF JERSEY



ROAD FUEL PRICES: DISPLAY

Lodged au Greffe on 23rd August 2011
by Senator A. Breckon

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to request the Minister for Economic Development to bring forward for approval the necessary legislation to introduce a requirement for all retailers of road fuel to display the price of road fuel on sale so that it is clearly visible to passing motorists from the adjacent roadway.

SENATOR A. BRECKON

REPORT

For many years there has been an issue in that motorists did not know until they parked at a petrol pump what the actual price was per litre – this was usually due to either poor or non-existent signage.

Whilst not wanting to litter the Island with massive advertising hoardings, I believe that there needs to be a balance which enhances consumer information so that consumers can make informed choices, not only about price, but also about levels of service, location, etc.

In general terms, it has been widely known and accepted that the States have produced or commissioned expensive Reports and then not acted upon any of the recommendations. I believe that the JCRA's Report contains something that can be acted upon with the minimum of fuss and the maximum effect.

The JCRA's Report at page 6 states –

It appears that there is room for road fuel prices in Jersey to be subject to greater competitive pressures, and if clearly-displayed prices from the roadside resulted in heightened price awareness and competition such that, for example, the average price reduced by just 1ppl, this would be equivalent to a direct £430,000 per year saving to Jersey consumers, in addition to any benefits from increased competition driving greater efficiencies.

In light of the above evidence, I believe it is worth making a change to the Regulations.

On 3rd August 2011, the Jersey Competition Regulatory Authority (JCRA), published a Report: “**Review of the Jersey market for road fuels**”. The Report had this to say –

4.5 Advertising the price of road fuel so it is visible from the road

One key difference between Jersey and most European countries is that it is not common in Jersey for the price of road fuel to be displayed so it is clearly visible to passing motorists. A survey carried out by JCRA in early July 2011 found that of the 34 retail forecourts, only 9 displayed the price so that it is clearly visible from the road, and of these 9, it was considered that only 5 displayed the price such that a passing motorist would notice it without specifically looking for the price information. Returns from a questionnaire to the retail forecourts also showed 8 garages claim to display prices so they are clearly visible from the road. Annex 1 contains photographs of the type of fuel price displays typical in Jersey.

Figure 4.6 Consumers' views on whether forecourts display prices

<i>Thinking of the forecourt you visit most often, which of the following statements most closely represents your opinion of the forecourt's fuel price advertising?</i>		
	<i>Percent</i>	<i>Count</i>
<i>Fuel prices are well displayed and are visible from the roadside</i>	24.5%	46
<i>Fuel prices are only displayed within the forecourt and are not visible from the roadside</i>	29.3%	55
<i>Fuel prices are only displayed once the pump is activated</i>	36.7%	69
<i>I am not bothered whether the forecourt displays its fuel prices</i>	2.1%	4
<i>Don't know</i>	7.4%	14
<i>Answered question: 188</i>		
<i>Skipped question: 12</i>		

The Price Indicators (Jersey) Regulations 2008 require prices to be unambiguous, easily identifiable and clearly legible, on or in proximity to the goods. Therefore just displaying a price at the pump is sufficient to satisfy Jersey Regulations. There is no legislation in the UK that explicitly requires the display of fuel prices from the roadside, although the UK's Consumer Protection from Unfair Trading Regulations 2008 deal with the concept of misleading omissions and, arguably, not displaying the price so that it is visible from the roadside could be challenged under these Regulations if a failure to do so could be shown to alter consumers' transactional decisions.

It is extremely rare in the UK for a forecourt not to display the price on a large electronic sign and it seems likely that a failure to do so would be viewed as suspicious by most UK consumers. Stakeholders told us that price competition in the UK is such that the price displays are seen as essential marketing and advertising tools.

Road fuel is a frequently purchased good – and consumers have the opportunity to learn about the price, and terms and conditions, of frequently purchased goods. However, the price of road fuel changes more rapidly and often more significantly, compared to other goods. In Jersey it is possible for a consumer to drive to a forecourt, park next to the pump, and then find out the price – this is likely to play to a consumer bias of commitment and consistency; that is, once people have made some commitment to an action, they are likely to be consistent and follow through with that course of action. In this case, the action is the choice of trader.

Consumers may become price aware about road fuels from various sources: from consumer price comparisons in the press, from experience and word of mouth. In the UK, there are two additional sources: consumer price comparisons sites on the Internet, which are becoming increasingly popular, and roadside displays. It seems extremely likely, given the nature of the product, that roadside displays play an important role in increasing awareness of price differences between retailers, not only because to know the price before entering the forecourt facilitates practical shopping around, but that noticing the advertised price of fuel as people go about their daily business may also be a significant factor.

Stakeholders gave us a range of views on roadside displays: some argued that prices displayed so they are visible from the roadside would make no difference at all, while others agreed that it would make a positive difference and said they would be in favour of all retailers displaying fuel prices so they are visible from the road. In our survey of Jersey consumers, 183 people (91%) said that they thought the price of petrol should be clearly displayed so it is visible from the roadside. Most industry stakeholders raised the question of planning permission, and one retailer told us that it had been refused permission to erect a pricing sign. Another had a more positive experience with the Planning and Environment Department, saying that it had managed to find a satisfactory solution.

We discussed these issues with officers from the Planning and Environment Department, who were keen to stress that they were open to reasonable proposals for displaying pricing signs, taking into account the character of the area, the particular circumstances of the property, the level of illumination, and the impact on road safety.

We asked retail forecourts whether they displayed the price so it was visible from the road, and if not, why not? Most did not answer the question, although responses did include:

“Makes the place look tacky and have to be changed constantly”

“We do not advertise pump prices because we are not in a position to compete with much larger sites that pump circa 9 or 10 times as much volume as we are able to. We rely on our location and loyal customers who understand the costs of doing business as a small parish service provider are much higher than other larger sites that are able to facilitate much larger volumes and can also afford to use fuel as a loss leader”.

The second quote above includes a suggestion that not displaying the price so it is visible from the road may be part of a strategy to avoid price competition, at least for this particular retailer. We do not dismiss the point about the value of local service providers and, as we acknowledged earlier, although consumers may welcome keen price competition driving down prices, those same consumers, as citizens, may regret the resulting decline in small local providers.

Obliging retailers to display prices would impose a cost and at least a proportion of these costs are likely to be passed on to consumers. There is no evidence from those already displaying prices that that cost is a factor in current retail levels. To put the issue of costs in context, however, it appears that there is room for retail prices in Jersey to be subject to greater competitive pressures. For example, if clearly displayed prices from the roadside resulted in heightened price awareness among consumers that increased competitive pressure which resulted, for example, in a 1ppl reduction in the average price paid, this amounts to a direct £430,000 per year saving to Jersey consumers, in addition to any benefits from increased competition driving greater efficiencies.

The JCRA is of the view that displaying prices so they are clearly visible from the road is likely to contribute to the development of competition in road fuel and make a positive contribution to consumers' rights to have sufficient notice of the price to be paid before they have made a commitment to a particular trader. While we acknowledge that there will be a balance to be struck between planning restrictions and the clear display of prices, it seems unlikely to us that this balance is impossible to achieve.

The JCRA strongly recommends that all forecourts should display price signs that are clearly visible from the roadside. If the JCRA's recommendation is accepted, further work would need to be undertaken with the Department for Planning and Environment, Trading Standards and the industry to formulate the obligation to, display prices in practical terms. It seems possible that the change could be brought about relatively easily by incorporating the requirement into the Prices Indicators (Jersey) Regulations 2008. Any change would, of course, need to be followed up with appropriate enforcement so the change becomes part of the normal business practice of the road fuel market in Jersey. We note that the Isle of Man brought about a requirement to display the price of fuel so it is visible from the roadside with the following wording in its Price Marketing Order 2005:

... In the case of motor fuel an indication of unit price shall be displayed on the premises from which it is sold in such a manner that it is easily read by a person in a motor vehicle on the highway from whichever direction he may lawfully approach and enter the premises.

I believe that there is a considerable consumer benefit that can be achieved by some prominent but not over-the-top signage.

Financial and manpower implications

There are no direct costs to the States for these amendments. Garages will have some cost in displaying and maintaining signage, however, this will not be excessive, as in 2010 according to the JCRA's report, Jersey motorists spent about £41.4 million on road fuel.