



**Retail Gasoline
Dealers Association
Of Nova Scotia**

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Nova Scotia Utility and Review Board
1601 Lower Water Street
Halifax, NS B3J 3P6

Via email: board@novascotia.ca

Subject: Matter M09727

Price spread between regular unleaded and premium unleaded

The Retail Gasoline Dealers Association of Nova Scotia (RGDA) is a non-profit trade organization representing the interests of the estimated 335 independent motor fuel retailers in Nova Scotia. As an intervenor in Matter M09727, the RGDA welcomes the opportunity to comment on the issue of the New York Harbor price spread between regular unleaded gasoline and premium unleaded relative to the fixed 6.0 cents per litre spread that the Board applies to the benchmark regular unleaded price to establish a benchmark premium unleaded price.

The RGDA agrees with the CICC and CEMA that the Board's premium unleaded benchmark price setting process does not appear to reflect actual New York Harbor pricing. While the RGDA is not privy to New York Harbor data, this situation has been confirmed by motor fuel retailers who have access to the data.

The impact is that regulated minimum and maximum retail pricing for premium unleaded is understated relative to commodity pricing in global markets. Actual global market commodity pricing for premium unleaded is being reflected in acquisition costs, such as rack rates. While actual acquisition costs are difficult to demonstrate, the situation is having a negative impact on margins for the industry overall, be it primary or secondary wholesalers or retailers, and, as the Board noted, "may negatively impact the sustainability of the industry, or alternatively, impact the availability of premium gasoline if retailers decide not to offer the product."

We believe that market pricing in unregulated markets reflects the negative impact that the Nova Scotia motor fuel industry is likely experiencing. Of particular note is the discrepancy between regular and premium unleaded selling prices in Nova Scotia and markets outside of the Maritimes. While we are focused on Nova Scotia, a similar situation exists in the other Atlantic provinces as New Brunswick, Prince Edward Island and Newfoundland and Labrador also use a fixed cents per litre increment on top of a regular unleaded benchmark to establish a premium unleaded benchmark.

The table below illustrates Halifax pump pricing and pump pricing in several other Canadian cities. It is quite apparent that while Halifax shows a spread of 10.2 cpl, the spread for the seven other cities shown is significantly higher, ranging from 19.0 cpl to 26.5 cpl, with a 7-city average of 22.2 cpl.



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City	Average Pump Price		
	RUL (cpl)	PUL (cpl)	Δ (cpl)
Halifax	151.7	161.9	10.2
Quebec City	164.9	185.0	20.1
Montreal	152.7	177.6	24.9
Ottawa	138.3	164.8	26.5
London	138.6	161.8	23.2
Winnipeg	162.9	182.8	19.9
Calgary	132.6	154.7	22.1
Vancouver	191.1	210.1	19.0

As of September 21, 2022. Average pump price established using the 10 lowest pump prices listed on gasbuddy.com excluding any Costco sites.
Note: While Quebec is technically a regulated marketplace, the regulated minimum has negligible impact on actual pump prices.

Given the competitiveness of unregulated markets in Canada, it is reasonable to conclude that the higher regular unleaded / premium unleaded spreads are a realistic reflection of global commodity pricing and acquisition costs. If this is the case, then the margins on premium unleaded in the Nova Scotia motor fuel industry are being materially negatively impacted.

A simple, yet efficient and effective solution is to base the Nova Scotia premium unleaded benchmark on New York Harbor premium unleaded pricing in the same manner that the regular unleaded benchmark is established.

This action is not a margin adjustment: it is a pricing formula adjustment that better matches Nova Scotia premium unleaded regulated pricing to the global marketplace. And, in doing so, the unintended erosion of premium unleaded margins is prevented.

Thank you for the opportunity to provide this commentary.

Sincerely,

Shannon Trites
Executive Director
Retail Gasoline Dealers Association