



Service Station Association Ltd.

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Ms Allison Bambrick
Principal Advisor
Renewable and Alternative Fuels
Project Development and Facilitation
Department of Employment, Economic Development and Innovation
PO Box 15168
CITY EAST QLD 4002

Dear Ms Bambrick,

Thank you for the opportunity for the Service Station Association (SSA) to provide a submission on the Queensland Government's proposal to introduce an ethanol mandate.

The Service Station Association represents the interests of small business operators of service stations who could best be described as franchisees, commission agents, lessees and/or independent owner/operators. Our primary focus is in New South Wales; however, we have a significant number of members in the other States and in Queensland in particular. The SSA is also a founding member of the Motor Trades Association of Australia (MTAA) and has a major role in assisting MTAA develop service station policy.

At the outset, I wish to assert that the SAA fully supports the widespread use of bio-fuels in the Australian liquid transport fuels industry. However, our policies also call for the structure of that industry to be market driven as this approach, we believe, delivers optimum consumer benefit and therefore optimum benefit to society. Consequently, on a point of principle, we are opposed to mandates of this kind, irrespective of how well meaning they are intended to be.

Our concerns regarding mandating the sale of ethanol in Queensland and indeed any other part of Australia are focused on the risk of such an initiative creating an artificial market leading to higher prices for consumers. You are no doubt aware of the recent initiatives announced by the New South Wales Government on E10 mandates and we are on record as being opposed to them for the same reasons we are opposed to the Queensland Government's proposals.

Competition delivers the best outcome in a free market and the petrol retailing industry in Australia is a shining example of just how well that can operate. Unfortunately, the same cannot be said for the wholesale segment of that industry where there are too few active competitors. Nonetheless, Australian motorists continue to enjoy the cheapest petrol in the OECD group of nations on a before tax basis. The 50 per cent E10 mandate coming into effect at a time when

there will be insufficient ethanol production capacity to meet this requirement, let alone produce a naturally competitive supply/demand environment, will only serve to exacerbate the lack of competition at the wholesale or supply level. There exists, therefore, an elevated risk of supply shortages driving up the price for ethanol produces in Australia which would flow on to prices at the pump.

The SSA would prefer to see government initiatives aimed at stimulating the creation of a vibrant ethanol production industry that would compete for off takers to ensure proper competition prevails. In the current climate that situation can only be provided by ethanol imports which we believe would negate the argument for the mandate being in the national interest. Given the very likely prospect of the domestic industry being unable to meet the ethanol demand created by the Queensland and New South Wales mandates, higher pump prices will only be avoided by granting exemptions to the mandate or by witnessing large scale imports. We are reliably informed that the Australian oil refining industry is predisposed towards 100 per cent ethanol imports given the uncertainty of supply by the domestic industry, unless there is certainty from governments regarding the availability of exemptions. We consider such a plan to be unsatisfactory and not in the best interests of the petrol retailing industry. We also understand that large scale ethanol imports are inconsistent with government policy.

We are also concerned that diversity of supply options will also be restricted so that service stations in some parts of the State will only be able to access E10 whilst in other parts of the State only normal ULP will be available. We therefore believe that any mandate should include the requirement that the supply industry make both grades available to all off takers. In that way, service stations will have the choice of stocking both grades, or choosing whichever grade best suits their customer mix.

Finally, for many service stations, converting their underground tanks to be compatible with E10 will involve a significant cost penalty. In cases where the mandate affects the supply options to the extent that service stations are forced to convert their tanks to stay in business, we believe that those businesses should have those costs reimbursed by the Queensland Government.

In closing, we trust that our comments have been of benefit and make ourselves available for further consultation on this issue as necessary.

Yours sincerely,

Ron Bowden
Chief Executive Officer