



House of Representatives Standing Committee on Economics
Parliament House
CANBERRA ACT 2600

By email to: economics.reps@aph.gov.au

19th November 2012

Dear Madam/Sir,

Thank you for this opportunity to make a submission to the House Economics Standing Committee on Economics inquiry into Australia's oil refinery industry.

Given the short timeline for the tabling of submissions, the Service Station Association (SSA) and its members submit the following observations for consideration.

As you are aware our members are private owners and operators of retail service stations across all non supermarket brands.

The announced closure of Shell and Caltex of their refinery at Clyde and Kurnell respectfully, will leave Australia with five domestic refineries by the end of 2014. Of note, is that at that time, NSW, the most populous state in Australia, will have no refineries at all.

In observing what has happened in the upstream Australian oil industry in recent years, it was inevitable to see how oil companies would keep throwing huge money at technically old refineries that will never be able to compete with the mega refineries overseas.

However, now that the model has been established by Shell and Caltex, it is likely that the remaining five refineries will also close over the short term, and replace local refining with the import of refined product from predominantly Singapore.

What Australia needs to determine and decide on at national Government level, is how important is Australia's strategic/self sufficiency in refining to the country. Given that Government supports the Automotive industry in terms of its manufacturing and jobs, surely the Oil Refining Industry is worthy of Government support, with the added emphasis, of security/self sufficiency in oil refining.

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Looking at the business environment & Australia's long term infrastructure & development needs, there could be potential for a *new* mega refinery in Australia being built to worlds best standards, and based on a public/private investment involving the oil companies remaining in Australia.

This is a way to: (i) maintain strategic fuel independence; (ii) provide an even cost base playing field; (iii) simplify collection of duties; (iv) make Australia more self sufficient instead of importing from overseas.

Australia could potentially become a net exporter to nearby places like NZ, Indonesia, and South Pacific Islands.

The do nothing approach we fear, will see more refineries in Australia close and Australia then being dependent on shipping via the high seas and the form of mother nature e.g. cyclones, disruption due to natural causes etc., which will expose Australia's fuel supply..

One likely outcome of such a scenario is an eventual increase in costs and in turn prices to the consumer at the pump.

We remain available at any time to further discuss these matters.

Yours Sincerely

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Service Station Association

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