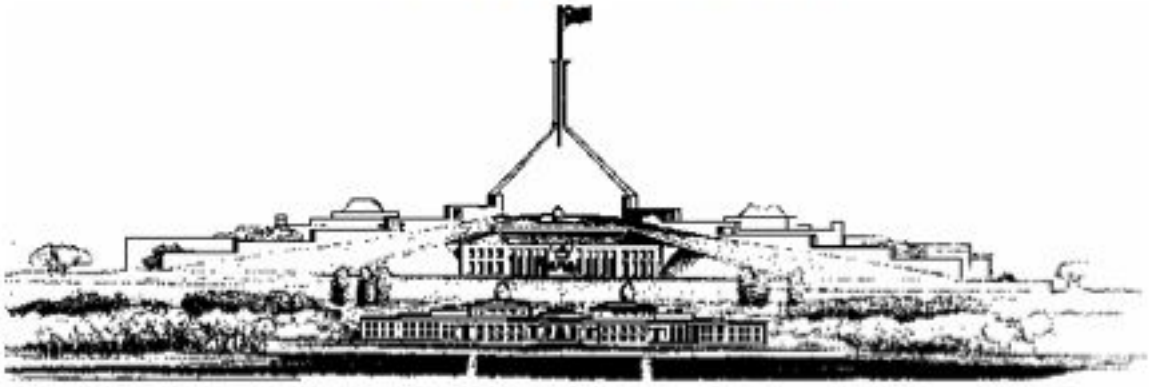
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Main Committee

STATEMENTS BY MEMBERS

Downstream Petroleum Products Action Agenda

SPEECH

Thursday, 9 December 1999

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Thursday, 9 December 1999	**Source**	House
Page	13370	**Proof**	No
Questioner		**Responder**	
Speaker	Cox, David, MP	**Question No.**	

Mr COX (Kingston)—On 30 November, the Howard government released the Downstream Petroleum Products Action Agenda. It was prepared by the minister's department and the oil industry. It has only one objective: to make the case for mergers in the oil refinery industry, which will be supported by the government on a case-by-case basis. It follows two decisions this year by the ACCC not to approve joint ventures between the oil majors because they would lead to less competition and had not been justified as being in the public interest.

The refining industry does face a number of serious short-term and long-term problems but these should have been addressed through a full public inquiry. The government did not obtain an independent report for this policy review, in their case such as from the Productivity Commission. Instead, they managed the process to produce the outcome the oil industry wanted. The result is a report setting out the problems the industry faces and suggesting that the solutions have more to do with mergers than investment.

The industry's objectives and the ACCC public interest test are in direct conflict. The ACCC's public benefit test guidelines say:

Economic development, eg in natural resources, through encouragement of exploration, research and capital investment—

whereas the oil industry's eight-point plan for getting benefit from joint ventures says the opposite:

Improved `capital efficiency' by reducing future investment requirements, eg, for clean fuels, through the ability to make the best use of each refinery's capabilities and existing hardware—

An option canvassed in the report to `invest for 500ppm sulphur diesel now, if the investment will pay prior to the mandated requirement for 50ppm sulphur diesel, and close the refinery prior to 31/12/2005' when the higher standard becomes effective shows the risk Australia faces from this flawed policy process.

The oil majors must be made to accept that there has to be significant investment, not just in clean fuels but also with the objective of having an internationally competitive refining industry in Australia. Long-term policies should not be driven by short-term price pressures resulting from availability of cheap imported fuel because of the Asian crisis. If the oil majors are permitted to replace local refining capacity with imported product, there will be less competition and they will be able to raise prices on both imported and local fuels. It is not just the loss of local jobs and investment. Ultimately, it will be the motorist and Australian business that will pay. I am concerned the report dismisses restricting merger proposals to exclude `outlier' refineries like Port Stanvac, because that would reduce the benefits obtained by the companies.

South Australia needs a full range of refinery facilities. These facilities are at risk. The technical and commercial issues to keep them open should be dealt with now, not after a merger proposal is approved. Port Stanvac's work force is doing everything it can to make the refinery internationally competitive. They deserve much more than the government's active participation in the loss of their livelihoods. Australia needs an internationally competitive refining industry that will invest in this country's future. The ACCC must withstand government pressure to interpret the public interest test in the light of this report.