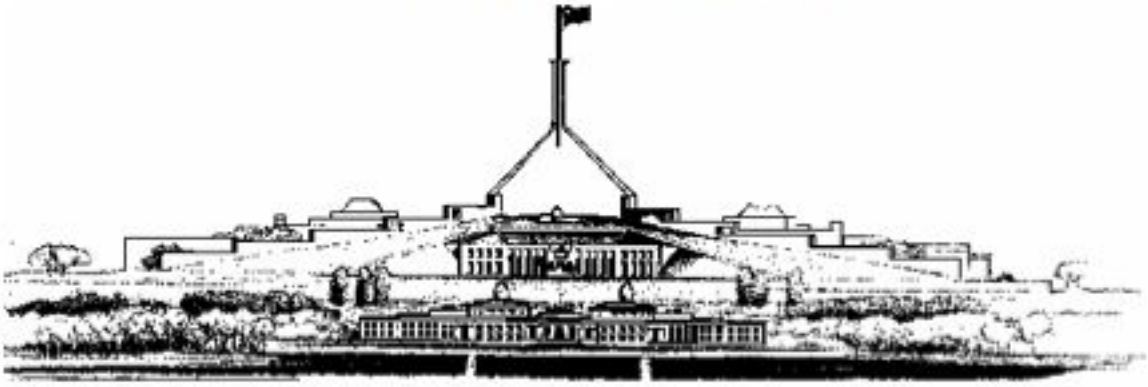
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

ADJOURNMENT

Oil Refinery: Port Stanvac

SPEECH

Wednesday, 30 August 2000

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Wednesday, 30 August 2000	**Source**	House
Page	19731	**Proof**	No
Questioner		**Responder**	
Speaker	Cox, David, MP	**Question No.**	

Mr COX (Kingston) (7.37 pm)—This evening I want to focus on the neglect of the South Australian government to ensure the ongoing viability of Mobil's Adelaide refinery. Mobil has long recognised the pressures faced by Port Stanvac and has a disciplined process to improve its gross margin and viability. This includes substantial restructuring that has resulted in job losses and benchmarking of all costs to ensure the refinery's competitiveness. That benchmarking process has revealed that one of the costs far above the level of what Port Stanvac's competitors pay is local government rates. Those rates make the refinery the city of Onkaparinga's biggest ratepayer. The rates are not set by the council; they are determined in accordance with a formula contained in an indenture act of the state parliament. Those rates are therefore under the control of the Olsen Liberal government.

The refinery is paying rates of more than $1.2 million per annum. Most of its competitor refineries are paying less than $200,000. The prevailing rate, paid by all other businesses in the city of Onkaparinga, indicate a figure for the refinery of slightly more than $50,000. For more than 18 months, the refinery has been seeking from the Olsen government an adjustment to its rates. There have been extensive negotiations between the Olsen government, the refinery and the city of Onkaparinga, which will bear the burden of any reduction. There are only three issues for the Olsen government: firstly, to ensure the refinery's ongoing viability; secondly, to determine a competitive rate; and, thirdly, to compensate the city of Onkaparinga for the loss of a not insignificant part of its rates revenue.

The state government has made some token offers to assist the council, but so far it has only offered to relocate some state government economic development staff to the council offices to do state government work. That will do nothing to relieve the council of any of its costs. The state Treasurer took over the issue earlier this year, and the council and the refinery hoped he would resolve the matter quickly. Unfortunately Robert Lucas has done nothing.

The refinery desperately needs the matter resolved. It has been doing everything under its control to reduce its costs. Unfortunately, the resolution of the rates issue is within the Olsen government's control, not the refinery's or the council's. The council are acutely aware that the refinery—one of the area's major industries—is at risk. They wanted the issue settled so they could prepare this year's council budget, but the mayor's letters and faxes to the state government have gone unanswered, as has correspondence from my state Labor colleagues. This is not a small state development issue. The viability of the refinery is at risk. The Olsen government is failing to deal with the one significant issue that is its responsibility to fix. At stake is an operation that provides directly or indirectly 1,500 jobs, that contributes $140 million or 0.4 per cent of gross state product and that produces $100 million of exports.

The failure over 18 months to deal with the refinery's rates issue when it is known that the future of one of South Australia's largest industries is at risk is a depressing indictment of the economic management of our state. The buck on this one stops with Premier Olsen. All that is required is a decision. Instead of leadership and a clear set of priorities we get negligence and incompetence. Because of the magnitude of the budgetary cost of reducing the rates, the burden needs to be shared between the council and the state, at least for a transitional period.

I want to suggest a compromise solution. The council should offer the refinery the same rate as other businesses in the council area—which would be slightly more than $50,000—but that it be on two conditions. Firstly, the reduced rate should apply only so long as the refinery operates as a refinery. If the refinery closes, the rate should return to the formula set in the indenture act. Secondly, the state should share equally with the council in the first year the budgetary cost of reducing the rate from the level set in the indenture. However, that budgetary support to the council should be phased down by one fifth in each subsequent year.

Though I am not privy to the detail of the solution the council has put to the state government—and so far has not received an answer on—I understand that my proposal is a more generous arrangement both to the refinery and to the council. It is critical that the state government resolve the issue now. The responsibility is in Premier Olsen's hands.