



**CALTEX**

Caltex Australia

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## **Caltex Australia submission to the Competition Policy Review**

**20 June 2014**

Australia's downstream petroleum industry faces continuing substantial structural change that creates both opportunities and challenges for incumbent companies and new entrants of all sizes. We support a level playing field for all competitors and the removal of regulatory impediments to Australian business competitiveness in a global market.

An efficient supply chain that provides petroleum products safely, reliably and at least cost is an essential underpinning of consumer welfare and national prosperity. Australia can't afford a regulatory regime that imposes unnecessary costs or could do so in the future.

In the past, we have seen regulation imposed that was justified on grounds that would not pass rigorous regulation tests, or were implicitly justified because their costs were regarded as marginal and affordable, or simply imposed because they fitted certain political or regulatory agendas. Like barnacles accumulating on a ship, they have gradually slowed the whole economy down, and now need to be stripped away. Some of the most egregious impediments to competition, such as price-setting regulation and legislation restricting retail operations have been removed but many impediments still remain.

Caltex endorses the submission by the Australian Institute of Petroleum, which provides a downstream petroleum industry perspective on competition policy issues. We do not repeat the points in that submission here but refer the committee to its contents. Caltex has also been working with the Business Council of Australia on the preparation of its submission. While this submission has yet to be finalised, on the basis of drafts to date it is most likely we will endorse its contents. We therefore do not address the broader issues raised by the BCA in its submission in our own submission.

To supplement the BCA and AIP submissions, we provide a table (Attachment 1) that summarises Caltex's perspective on the specific regulatory issues facing the company and the industry more generally. The table does not go into detail and is provided as an overview or checklist. We would be pleased to provide the committee with more detailed information if required. However, the point we wish to make with the table is that there is a substantial number of issues on which action is required to address various competition issues, or for which we believe no regulatory changes are required.

As noted above, some regulation that was a substantial impediment to competition has been removed in the past 15 years, including regulation of wholesale fuel prices, specific regulation related to retail franchising, and controls affecting retail site ownership and operation. On the other hand, some new adverse regulation has been imposed (for example on petrol price boards in NSW, coastal shipping, and some fuel quality regulation). However, not all regulation has been negative and we support it (for example, certain national fuel quality standards).

Given the breadth of the Committee's terms of reference, we don't suggest it examine all the issues in Attachment 1. However, there are some issues from the attachment we feel should receive greater attention as poor regulation has, or could have, significant impact on our business

- Inconsistent planning and environmental regulation at the local government level
- Burdensome regulation at the state government level e.g. petrol price boards and some environmental regulation (e.g. Stage 2 vapour recovery)
- Potential for "Part 3A" changes that could adversely affect current and future investments
- Potential changes to the Competition and Consumer Act e.g. extension of price signalling regulation and introduction of an effects test to s.46

- The potential for adverse fuel quality regulation to be introduced or, in the case of biodiesel blends, retained
- Coastal shipping regulation and associated Customs Act provisions.

Apart from the specific regulatory issues listed in Attachment 1, the downstream petroleum industry is disadvantaged by cross-cutting competition issues common to many industries, including

- Construction and operating costs
- Workplace relations and productivity
- Infrastructure planning and development
- Inconsistent and inefficient regulation within and across tiers of government , including planning approvals
- The cumulative burden of regulation generally.

ATTACHMENT 1

Downstream petroleum industry regulation

Supply chain element	Competition issue	Suggested action
Imports	<ul style="list-style-type: none"> <li>• Anti-dumping (products and substitutes)</li> <li>• Petroleum product quality</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain and apply rigorous anti-dumping regulation (e.g. on biodiesel) but avoid its use as de factor barrier to competition</li> <li>• Maintain national fuel quality standards that protect the environment and provide level playing field for domestic and imported products, while avoiding adverse impacts on local refineries – maintain the Fuel Quality Standards Act</li> </ul>
Refining	<ul style="list-style-type: none"> <li>• Carbon pricing</li> <li>• Climate change policy generally</li> <li>• Renewable energy target</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid competitive disadvantage versus overseas refineries – this principle applies under all policy alternatives.</li> <li>• Avoid climate change policies that place an unfair burden on any sector of the Australian oil industry e.g. carbon permits on petrol</li> <li>• Avoid competitive disadvantage versus overseas refineries – provide full cost offset for energy-intensive industries</li> </ul>
Coastal freight	<ul style="list-style-type: none"> <li>• Coastal Trading Act (CTA)</li> <li>• Fair Work Act</li> <li>• Customs Act</li> <li>• State regulation</li> </ul>	<ul style="list-style-type: none"> <li>• Removal of anticompetitive and red tape provisions – there are various regulatory actions to achieve this outcomes</li> <li>• Removal of Australian rates for foreign crew</li> <li>• Change to importation provisions under Customs Act or CTA</li> <li>• Remove duplication with Commonwealth laws – holistic federal/state approach to reform of shipping regulation</li> </ul>
Seaboard terminals	<ul style="list-style-type: none"> <li>• Advocacy from some interests of regulated access to private facilities including fuel storage and pipelines</li> <li>• IEA treaty 90 day stockholding</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid extension of Part 3A “open access” to private facilities – there is no evidence of market failures and regulation would override commercial processes and create disincentives for private investment</li> <li>• Avoid mandatory industry stockholding requirements</li> </ul>
Pipelines and inland storage	<ul style="list-style-type: none"> <li>• Ability to develop and modify infrastructure</li> <li>• Access to infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Land use planning to account for fuel infrastructure</li> <li>• Avoid extension of Part 3A “open access” to private facilities</li> </ul>
Road and rail transport	<ul style="list-style-type: none"> <li>• Efficient road transport network</li> <li>• Efficient load regulation</li> <li>• Road/rail interchange</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure planning and investment</li> <li>• More flexible vehicle configuration and routes</li> <li>• Investment in multi-product intermodal facilities</li> </ul>
Retail trade	<ul style="list-style-type: none"> <li>• Local government regulation of service stations</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent, efficient regulation by local government including outcomes-based environmental regulation</li> </ul>

	<ul style="list-style-type: none"><li>• State environmental regulation</li><li>• Price transparency</li><li>• Petrol price boards</li><li>• Price signalling legislation</li><li>• Section 46 “effects test”</li></ul>	<ul style="list-style-type: none"><li>• Various regulatory approaches to reduce red tape and costs – includes vapour recovery regulation (NSW)</li><li>• Maintain ACCC annual monitoring report</li><li>• Avoid extension of NSW-style excessive regulation</li><li>• No extension of regulation to retail fuel</li><li>• No change to current “purpose test”</li></ul>
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