

Dear sirs,

We would like to make the following observations in relation to your deliberations on the above subject:

1. Strategic Storage is readily handled (under participation of the industry) by a state owned agency. Infrastructure is, in some areas, already available, although recent closures of refineries have caused a shortage of import terminal capacity particularly in NSW. Storage can be financed through a small fee included in the price motorists pay at the pump. We estimate a rate of about 0.54 Cent per litre for all petroleum based Fuels such as Gasoline, Diesel, Jet Fuel and Heating Oil. At such a rate, there would be no rebates for certain industries.

In the perception of the general public as well as transport and farming industry this amount would not be considered as a tax, but as an insurance premium against the risk of supply disruption.

The strategic storage contribution of 0.54 Cents per litre would be used to pay interest, storage fees and to finance operation of the strategic storage agency.

2. Strategic storage generates a number of benefits:
 - It secures fuel supply for a lengthy period in times when import of fuels from certain regions in the world is disrupted. Industries and the general public can rely on continuation of "business as usual" even in times when such a disruption should occur; (We note that certain parties point to "stock on water" as a contribution to strategic storage. This assumes that products can be sourced and ships obtained to carry them, which is obviously highly unlikely in the event of a major disruption, for example deployment of nuclear weapons in the supply regions. Similarly, government intervention in emergency stock management, at such times of crisis, is meaningless unless there is stock to be managed).
 - The construction of sufficient tankage for the country's strategic storage needs will generate additional employment for many years;
 - Operating tank farms for strategic storage will generate long term employment;
 - Operators of commercial tank farms will enjoy a better economy of scale, resulting in the reduction of costs for importing Fuels;
 - A state owned strategic storage agency will get a very good credit rating, resulting in low interest rate;
 - At the same time banks will generate a risk free profit by lending money for the purchase of Fuels.

Our company, which deals primarily in design and risk management of dangerous goods facilities, is intimately involved in the petroleum storage industry, from design and operation of receiving terminals, wharfage, pipelines, distribution (by both road and rail tanker) to regional depots and on to retail service station sites. We are currently involved in several projects which could be upgraded immediately to make a start on strategic reserve storage, so there is no need for any delay in addressing this serious issue.

Best regards

Bill Callan
Principal Consultant
Member of the Australasian Institute of Dangerous Goods Consultants

Premier Engineering Services Pty Ltd