



service station association ltd

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Roger Bluett
Senior Air Policy Officer
Department of environment and Conservation
59 Goulburn St
Sydney NSW 2000

Dear Roger,

Re: Stage 2 Vapour Recovery

Thank you for providing us with the opportunity to review the McLennan Magasanik Associates' report titled "Cost Effectiveness of Implementing Stage 2 Vapour Recovery". Our comments are as follows.

1. Retrofitting VRII to existing service stations would be an expensive and extremely disruptive exercise. Given the limited benefits that would result, compared to the totality of the VOC problem, it is difficult for us to understand how VRII could be justified. We believe that other forms of VOC emissions should be examined as potential better targets from a cost benefit point of view.
2. Competition in petrol retailing is intense and discounting widespread. Petrol retail margins are paper thin and do not cover the costs of running a petrol outlet. The profits from non-fuel retail activity heavily subsidise the petrol dispensing function. It is therefore impossible for a service station to increase its petrol selling price above the prevailing market without losing significant sales volume. It is therefore not feasible to suggest that the industry can recover the costs of VRII from the market. The costs of installing VRII will be borne as a cost against the business by each site. The ability of a site to absorb these costs will vary from site to site and will be impossible to predict with any accuracy. We maintain that it would be impossible to devise a fair and equitable criterion for partial VRII retro fitting and any such move would not lead to a uniform impact from a business perspective.
3. Many independent service stations are enduring extreme financial stress as a result of supermarket activity and it is not expected to diminish. We predict that a significant number of sites, both oil company and independent, will close over the next few years. An extra financial burden such as that resulting from a requirement to retrofit

VRIL would hasten that process and tip many marginal sites over the edge.

4. We can see the merit of making VRIL mandatory for new to industry sites, or when a site undergoes a major rebuild that includes new tanks, lines and pumps. This would have the benefit of minimizing the cost of installing VRIL and would enable the owners to evaluate business feasibility before they committed to what would be a very large investment. However, this approach will only achieve a significant reduction in VOC over a long period of time and impose an unfair financial burden on these businesses that their competitors don't have to bear. Such a move would be seen as contentious.
5. Equally, we would not be able to support the other extreme; that is, mandating the whole industry over a relatively short period of time. As mentioned before, the cost would be too great for a great many sites and would result in an acceleration of site closures, which would reduce competition in the industry – an undesirable consequence.

We understand the need to address the issue of VOC and appreciate the role that petrol plays in the whole scheme of things. However, without some form of compensation, we are at a loss to come up with a strategy that could be supported. Only new builds and major refurbishments would have a chance of being deemed “acceptable propositions.”

I hope this submission is of some assistance to you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ron Bowden', with a long horizontal flourish extending to the right.

Ron Bowden
Chief Executive Officer