



Speech by

**MIKE KAISER**

**MEMBER FOR WOODRIDGE**

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Hansard 3 October 2000

### **EFFECTS OF TEMPERATURE ON FUEL**

**Mr KAISER** (Woodridge—ALP) (12.19 p.m.): I rise today to discuss the issue of temperature effects on fuel volume and the likely impact this has on fuel prices at the bowser. This is an issue that has been raised with me by many service station operators throughout the State, by those in my own electorate and by the Logan City Council, which is a high-volume fuel user. The basic issue is that when fuel is hot, it has a certain volume and as it cools it shrinks.

Fuel is often brought straight from the refinery at quite high temperatures and pumped into underground service station tanks and as it cools its volume decreases. For example, according to the National Standards Commission, 10,000 litres of fuel at 36 degrees celsius would be only 9,748 litres at 15 degrees celsius, which amounts to a loss of 252 litres. This is fuel paid for by the retailer but not able to be sold to the motorist. Estimates put the effect of this in an overall sense at about 2c per litre. Of course, this increases pressure on retailers' margins, who then take any opportunity to pass the costs on to motorists.

The problem has been recognised by petroleum companies which, since 1949, have operated under an international convention which uses a volume corrected to a particular reference temperature of 15 degrees celsius. This volume correction convention is used for all international transfers of fuel, all internal company transfers and all internal accounting by petrol companies. Incidentally, this convention is also used to correct the volume of fuel to a reference temperature of 15 degrees celsius for the purpose of excise payments to the Federal Government. This itself provides a direct profit to companies, as they pay excise at 15 degrees celsius but sell at higher temperatures. Effectively, there is some fuel sold at a wholesale level which does not attract excise. The total effect of this has been estimated to be worth about \$30m a year as a windfall profit to all major oil companies in this country.

Despite the convention providing this type of windfall and protection for oil companies, no such convention exists for wholesale and retail sales made within Australia. There have been many attempts made by retailers to negotiate this issue with oil companies and wholesalers, but those negotiations have always been rejected by the companies. In recent times, too, individual retailers have attempted to sue oil companies, but these matters have always been settled in out of court settlements, thereby relieving the oil companies of abiding by any court precedents on this issue.

No protection has existed for retailers until recently when the ACT Legislative Assembly took action last August. As a result of that legislation, service station operators in the ACT were the first to receive temperature corrected fuel. This is as a result of legislation introduced by the Independent member of the Legislative Assembly in the ACT, Mr Paul Osborne, but passed unanimously. The legislation provides that all fuel deliveries of over 2,000 litres must be sold on the basis of a temperature corrected volume.

I urge the Minister for Fair Trading here in Queensland to consider this issue. Obviously, the temperature effect is more dramatic in Canberra than in Brisbane because of the cooler prevailing temperatures in that part of the country, but I am told by service station operators in Queensland and by bulk end users of fuel such as the Logan City Council that it is an issue for them. This issue deserves to be considered.

We can expect the oil companies to argue that the cost of compliance would be too high, but it should be remembered that retail LPG has always been sold at a retail level on a temperature

corrected basis. Industry sources tell me that there would be no technical problems and no undue compliance costs. In fact, it may be as simple as doing what they do in Hawaii where they manually adjust meters on a seasonal basis. Again, I urge the Minister for Fair Trading to investigate this matter and, in particular, the ACT legislation with a view to seeing if it could have application here.

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