

1926.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

R E P O R T.

FROM THE

JOINT COMMITTEE OF PUBLIC ACCOUNTS

UPON THE

EXPENDITURE ON OIL EXPLORATION, DEVELOPMENT,
REFINING, ETC., IN THE COMMONWEALTH AND PAPUA.

PART III.—(CONCLUSION)—COMPRISING—
THE COMMONWEALTH OIL REFINERIES LIMITED.

NOTE—

PART I.—COMPRISING—

INTRODUCTION,
COMMITTEE'S PROCEEDINGS,
OIL EXPLORATION WORK IN PAPUA,
OIL EXPLORATION WORK IN AUSTRALIA,

was presented to Parliament on the 21st August, 1925, and printed as Parliamentary Paper
No. 34. of 1925.

PART II.—COMPRISING—

SHALE OIL,
POWER ALCOHOL,
LIQUID FUELS, ETC.

was presented to Parliament on the 3rd March, 1926, and printed as Parliamentary Paper
No. 11 of 1926.

Presented pursuant to Statute ; ordered to be printed, 25th March, 1926.

[Cost of Report :—Preparation, not given ; 950 copies ; approximate cost of printing and publishing, £11.]

Printed and Published for the GOVERNMENT of the COMMONWEALTH of AUSTRALIA by H. J. GREEN,
Government Printer for the State of Victoria.

No. 18.—F.4434.—PRICE 6D.

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(Fifth Committee.)

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K.C.M.G.; C.B., V.D., M.P.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

REPORT ON THE EXPENDITURE ON OIL EXPLORATION, DEVELOPMENT, REFINING, ETC., IN THE COMMONWEALTH AND PAPUA.

PART III.

INTRODUCTORY.

The Joint Committee of Public Accounts, in presenting this Report—the concluding Part of its investigation of the Expenditure on Oil Exploration, Development, Refining, &c., in the Commonwealth and Papua—desires to intimate that, as in Part II., it has, in the preparation of this Part, availed itself of the evidence concerning the Commonwealth Oil Refineries Limited taken by the previous Committee from Mr. T. J. Greenway, formerly Chairman of Directors of the Company, Sir Robert Gibson, the present Chairman, Sir Robert Garran, one of the Directors representing the Commonwealth, and other witnesses. The present Committee has, in addition, examined the Managing Director of the Company, Major W. L. W. Bird, who is also the Australian representative of the Anglo-Persian Oil Co. Ltd., and Mr. George Henry Kneen, General Manager of the Australian Commonwealth Line of Steamers.

THE COMMONWEALTH OIL REFINERIES LIMITED.

EARLY NEGOTIATIONS.

The knowledge that, at the outset of the Great War, the British Empire was practically dependent on foreign sources for its oil supplies, led the late Mr. W. K. D'Arcy, who had been largely responsible for the development of the Anglo-Persian Oil Company's undertakings, to make various patriotic suggestions to remedy such an unsatisfactory state of affairs. Among these suggestions was one advocating an energetic search for petroleum oil and the establishment of an oil-refining industry in Australia. The outcome of inquiries made in Australia by representatives of the Anglo-Persian Oil Co. Ltd. was the submission to the then Prime Minister (Mr. W. M. Hughes) of a proposal that the Commonwealth Government and the Anglo-Persian Oil Co. Ltd. should jointly form a company to carry on the search for oil in Papua and simultaneously establish one or more oil refineries in Australia, the idea being that the refineries should be immediately established, and that they should operate with crude oil imported from Persia until a supply of Australian or Papuan oil became available. The oil search proposal was rejected as it was contrary to Government policy, which at that time aimed at developing the Papuan oil-fields as a national undertaking. The refinery proposal was discussed by Cabinet, and it was arranged that the directors of the Anglo-Persian Oil Co. Ltd. should consult with Mr. Hughes during his then pending visit to London. Following the consultation in London, the Company sent an accredited representative to Australia to submit a definite proposal to the Government.

TERMS OF AGREEMENTS.

An agreement, dated 14th May, 1920, was entered into between the Commonwealth Government and the Anglo-Persian Oil Co. Ltd. providing for the establishment in Australia of a Refinery Company. This agreement was approved by the Commonwealth Parliament by the passing of the Oil Agreement Act, No. 13 of 1920, assented to on the 29th May, 1920.

Briefly the terms of the agreement provide for the Anglo-Persian Oil Co. Ltd. to form and register in the State of Victoria, within 90 days of the date of the commencement of the agreement, a Refinery Company with limited liability, the capital to be Five hundred thousand pounds (£500,000) in shares of one pound (£1) each, of which the Commonwealth was to subscribe for and be allotted 250,001 shares; the Anglo-Persian Oil Co. Ltd. 249,996 shares, and nominees of the Anglo-Persian Oil Co. Ltd. three shares. It is also agreed that the Memorandum and Articles of Association of the Refinery Company and any alterations thereof must be subject to the approval of the Commonwealth, and must provide, inter alia, that on any increase of capital, the Commonwealth shall be

entitled to subscribe so much capital and be allotted so many shares that at all times the Commonwealth will hold a majority in number and value of the shares in the Refinery Company ; that of total number of Directors three-sevenths in number shall be nominated by and represent the Commonwealth, and four-sevenths shall be nominated by and represent the Anglo-Persian Oil Co. Ltd. ; that no action or question or decision relating to or affecting :—

- (1) the policy of the Commonwealth in connexion with Naval or Military or External affairs ; or
- (2) any proposed sale or disposition of the Refinery Company's business or any part thereof ; or
- (3) any proposed change in the status powers business or constitution of the Refinery Company ; or
- (4) any proposed sale of refined products to aliens or for export from the Commonwealth ; or
- (5) any proposed sale of refined products on long contracts or under circumstances which might endanger the ability of the Refinery Company to meet requirements for consumption within Australia,

shall be taken or made without the consent of the Commonwealth as expressed through its representatives on the Board of Directors ; that other things being equal, the Refinery Company shall give preference to goods manufactured in the Commonwealth when purchasing machinery, plant, and supplies ; and that the Refinery Company shall not enter into or be in any way concerned in or a party to or act in connexion with any commercial trust or combine, but shall always remain an independent British business.

The objects of the Refinery Company are set out as—

- (a) the creation and development in Australia of the industry of refining mineral oil ;
- (b) the erection, equipment, and operation of a modern refinery or refineries in Australia for refining mineral oil ;
- (c) the sale and disposal of the products of refining mineral oil ; and
- (d) such other objects necessary and incidental to or expedient for the aforesaid objects as shall be approved by the Commonwealth and the Oil Company and set forth in the Articles of Association.

The agreement also provides that the technical and commercial management of the Refinery Company shall be left entirely in the hands of the Refinery Company, and that immediately after registration the Company will erect, equip, and operate in Australia a modern refinery. Until the Refinery is in operation, the Anglo-Persian Oil Company undertakes to use its best endeavours to secure adequate supplies of oil products to Australia at reasonable prices.

It is also agreed that the Commonwealth shall supply to the Refinery Company indigenous oil for refining up to 200,000 tons per annum as it becomes available to the Commonwealth—indigenous oil meaning crude mineral oil obtained in the Commonwealth or in any Territory of or under the authority of the Commonwealth or in any place over which the Commonwealth has a mandate. Until such oil is available, the Anglo-Persian Oil Co. Ltd. shall supply the Refinery Company with such quantity as it requires for refining up to 200,000 tons per annum, and after such oil is available, if the supply is less than 200,000 tons, the Anglo-Persian Oil Co. Ltd. will supply such quantity as is required to make up the difference. The price payable by the Refinery Company to the Commonwealth for indigenous oil, or to the Anglo-Persian Oil Company for crude mineral oil, is to be fixed from time to time by agreement between the Commonwealth and the Oil Company, and is to be based upon the contents of the oil.

The agreement further provides that the price payable by the Refinery Company for crude mineral oil shall be the price f.o.b. at the port of shipment, and the price paid to the Oil Company for crude mineral oil shall not exceed the price f.o.b. paid by the British Government to the Oil Company for crude mineral oil. The Oil Company shall make all arrangements for freight at the current rates to the port of discharge in Australia in respect of crude oil supplied by the Oil Company, provided that the Commonwealth shall have the option of making the freight arrangements if it can do so at a lower rate, and the Commonwealth shall make all arrangements for freight at current rates in respect of indigenous oil.

In the case of the crude mineral oil, the price shall be fixed for a period of two years—for the first period of two years the price had to be settled at least three months before the estimated date of completion of the first refinery ; for subsequent periods the price is to be fixed at least three months before the expiration of the then current contract.

To ensure the full success and development of the oil-refining industry in Australia, the Commonwealth agrees that it will, so long as the prices charged by the Refinery for products of refining are considered by the Commonwealth fair and reasonable, but not further or otherwise—

- (a) exercise or cause to be exercised such statutory and administrative powers as it deems advisable to prevent dumping and unfair competition by importers of refined oils from other countries ;
- (b) refund to the Refinery Company any Customs duty paid by the Refinery Company upon the importation into Australia of crude mineral oil purchased from the Oil Company and refined in Australia by the Refinery Company ; and
- (c) cause to be introduced into the Parliament of the Commonwealth and supported as a Government measure a Bill providing for the imposition of Customs duties on crude mineral oil whenever in its opinion such action is necessary or advisable to prevent unfair competition with the products of crude oil refined in Australia by the Refinery Company.

Under the agreement the Commonwealth is given the option of purchasing the whole of the Anglo-Persian Oil Company's interest in the Refinery Company at the expiration of fifteen years from the date of completion of the first refinery, subject to two years' previous notice to exercise the option having been given.

The agreement also provides for the appointment of the Anglo-Persian Oil Company, so long as it retains its full interest in the Refinery Company, as the marketing agent of the Refinery Company for the sale outside the Commonwealth and its Territories of the products of the Refinery Company on the basis of a commission of 10 per cent. on the gross sales.

Under a further agreement, made on the 6th June, 1924, between the Commonwealth Government and the Anglo-Persian Oil Co. Ltd. it was decided to increase the capital of the Refinery Company by £250,000 with shares of £1 each, each party to subscribe for and be allotted 125,000 shares. This increase in capital, it was explained, was necessary to enable the company to undertake the distribution and marketing of its products. The agreement was approved by the Commonwealth Parliament by the passing of the Oil Agreement Act No. 7 of 1924—assented to on the 7th July, 1924.

FORMATION OF COMPANY.

In accordance with the provisions of the *Oil Agreement Act 1920* a company named The Commonwealth Oil Refineries Ltd. was incorporated on the 25th August, 1920—the first Directors being Messrs. T. J. Greenway, F.I.C., M.I.M.M., W. J. Byrne and F. H. Bathurst, and Professor H. Payne, M.Inst. C.E., appointed by the Anglo-Persian Oil Co., and Sir Robert Garran, K.C.M.G., Sir Robert Gibson, K.B.E., and Mr. (now Sir) N. C. Lockyer, C.B.E., I.S.O., appointed by the Commonwealth. Mr. Greenway was elected Chairman of Directors and retained that position until November, 1924, when Sir Robert Gibson took over the Chairmanship. During the first year Mr. Bathurst resigned from the Directorate and Mr. Andrew Gillespie, who had been sent out to superintend the lay-out and erection of the refinery and who was General Refineries Manager, was appointed to the vacancy. On completion of the constructional work, Mr. Gillespie proceeded to England and Major W. L. W. Bird, who had conducted the preliminary negotiations on behalf of the Anglo-Persian Oil Co. for the formation of the partnership, was appointed Managing Director. Mr. Greenway left for England early in 1925 and the vacancy so caused on the Board has not yet been filled by the Anglo-Persian Oil Co. Ltd., with the result that the Board at present comprises six Directors—three each representing the Commonwealth Government and the Anglo-Persian Oil Co. with one of the Commonwealth representatives as Chairman, which position entitles him to a second or casting vote.

The first meeting of Directors was held on the 11th September, 1920, and the shares of the Company were then allotted in accordance with the Agreement and the Articles of Association, the allotment being 500,000 shares of £1 each, apportioned as follows :—

The Commonwealth of Australia	250,001
The Anglo-Persian Oil Co. Ltd. and its nominees	249,999

Offices were then established and inquiries and negotiations connected with the selection of refinery sites were immediately put in hand.

It was originally intended to establish a single refinery at Newcastle to serve the whole of Australia, but subsequent consideration caused the Directors to abandon the single refinery project and decide on the construction of two refineries—one to be located in New South Wales and one in Victoria. After further consideration of local and economic factors, costs of transport, &c., it was determined to proceed with the erection of the first refinery near Melbourne. As a result of an exhaustive review of all likely areas which would meet the requirements of reasonable

proximity to a port, availability of railway communication and yet be situated where refining would not militate against public welfare and become a nuisance, it was decided to locate the refinery at Kororoit Creek, near Laverton, where the freehold of an area of about 400 acres was acquired. On this site there has been erected an up-to-date refinery capable of dealing with 100,000 tons of crude oil annually, and so laid out that arrangements can be made to increase its capacity to 200,000 tons per annum in accordance with the agreement. On this area there have also been situated the tank farm, can-making and filling plants, and case-making and packing sheds, as well as a number of cottages which have been erected for officials of the company whose duties necessitate their always being handy to the works.

Other properties which have been secured for the carrying on of the Company's refining operations comprise a wharf on the Yarra at Spotswood with sidings and pipe lines, affording adequate facilities for unloading supplies of crude oil and for shipping the finished products, a transit site comprising $5\frac{1}{2}$ acres situated near the wharf whereon have been erected a 10,000-ton crude-oil tank and a 900-ton fuel-oil tank and the pumping plant necessary to send the crude oil forward to the refinery along pipe lines following generally the main Melbourne to Geelong railway line. The wharf site is held by the Company under a 21 years' lease from the Melbourne Harbour Trust and the transit site is leased from the Victorian Government for a similar term.

Constructional work was sufficiently advanced early in 1924 to necessitate arrangements being made for shipments of crude oil. The first shipment arrived at the wharf in March, 1924, and was immediately delivered to the refinery for treatment. By the end of May, the Company was placing motor spirit, power benzine, kerosene and fuel oil on the Australian market. Minor plant adjustments and operating difficulties such as usually attend the initiation of large industrial undertakings were duly overcome and the refinery is now in effective working order.

DISTRIBUTING ARRANGEMENTS.

It having been decided that the Company would undertake the distribution and marketing of its products throughout the Commonwealth, it became necessary to create a sales organization and to establish distribution dépôts. Throughout Victoria and in the metropolitan area of Sydney, the Company has its own distribution staff, but in the country districts of New South Wales and in Queensland and South Australia, Messrs. Dalgety and Company have been appointed selling agents on a basis which was stated in evidence to be a very fair one for the Commonwealth Oil Refineries Ltd.

The principal distribution dépôts have been arranged as follows:—

Victoria.—An office and store have been established at Port Melbourne on land leased from the State Government, whilst in country towns convenient sites for distributing have been rented.

New South Wales.—At Sydney a portion of the Anglo-Persian Oil Company's bunkering site at Berry's Bay on the northern side of the harbour and a small area of land at Geary's Wharf on the southern side of the harbour have been leased. The motor spirit is forwarded from the refinery in 45-gallon steel barrels to the dépôt at Berry's Bay and emptied into a bulk tank, whence it is delivered by pipe to a bulk lighter, carried across the harbour and discharged into underground tanks at Geary's Wharf. From there it is pumped into road wagons for delivery around Sydney. At Newcastle the Company has secured a store site within easy cartage distance of the city and yet adjacent to the wharf where all inflammable liquids must be discharged.

Queensland.—A dépôt has been established on a site at Bulimba on the Brisbane River, contiguous to a wharf. The site has been leased from the Queensland Government and stores have been built thereon.

South Australia.—A store has been erected on a site contiguous to a wharf at Port Adelaide. The site has been leased from the South Australian Harbour Board.

Western Australia.—A site at North Fremantle has been leased from the Western Australian Government, but the erection of a store in Western Australia has been deferred pending the development of the Company's business in the eastern States.

Tasmania.—Tasmanian requirements are supplied direct from Victoria.

Arrangements have also been made to supply kerbside pumps with the products of the Company to meet the present demand for C.O.R. goods, but at present there is only a very limited service in this direction, which cannot be increased without the provision of further capital.

The Committee was informed that under existing conditions the numerous handlings of the products, especially in the case of New South Wales supplies, could not be avoided. As coastal freights were expensive, consideration had been given to the question of the Company having its own tank steamer, but the cost of a suitable vessel—a composite ship capable of carrying both bulk and cased goods—had been found to be prohibitive.

In view of the increasing number of ships which use oil for their propulsion, the Committee made inquiries as to the steps being taken by the Commonwealth Oil Refineries Ltd. to cater for this trade and was informed that, before the Refinery Company was in existence, the Anglo-Persian Oil Co., in pursuance of its policy of establishing sufficient Imperial bunkering stations to make the British Mercantile Marine independent of foreign supplies, installed at Fremantle, Melbourne, and Sydney modern oil-fuel supply systems so that vessels whilst alongside the wharf could take in their fuel without interfering with the working of the ship or the comfort of the passengers. When the Commonwealth Oil Refineries Ltd. commenced business, the Refinery Company took over the Melbourne and Sydney installations, but, for economic reasons, it has not yet taken over the installation at Fremantle. Although no reference is made to these installations in the agreement, naturally the Anglo-Persian Oil Co. Ltd. did not desire to remain in competition with the Refinery Company when the latter became capable of supplying demands for fuel oil in Australia.

WORKING OF THE AGREEMENTS.

The Committee inquired closely into the working of these agreements, and ascertained that their provisions were being adhered to. It was stated in evidence that at all times the Board of Directors had worked harmoniously, and that there had not been any indication of the interests of either party clashing.

It was further explained to the Committee that although the Commonwealth holds a majority of the shares of the Refinery Company, the Anglo-Persian Oil Co. Ltd., as the party supplying the technical knowledge and experience, was given the right to have a majority on the executive. In the ordinary course of events, therefore, the Anglo-Persian Oil Co. Ltd. would have the controlling voice, but should any direct difference of opinion arise, an "Extraordinary General Meeting" could be called, as provided for in the Articles of Association of the Company, at which the will of the Commonwealth would prevail and, if necessary, directions could be given to the executive.

The erection of the Refinery was commenced as soon as possible after the preliminary inquiries had been made, and having regard to the post-war conditions then prevailing and the fact that a new industry was being established, the construction of the Refinery was completed and the production stage reached without unreasonable delay.

The Committee recognizes that as the Commonwealth Oil Refineries Ltd. is a manufacturing and trading concern competing against companies handling similar commodities, it would not be in the interests of the Company to disclose information as to working costs, &c., or the price paid for its crude oil or of the freight thereon. The Committee was assured, however, that the prices paid were fair and reasonable, and compared favorably with other quotations received. The crude oil supplied had always been of even quality, and showed no variation in refining. As a matter of fact, it might be explained that the Commonwealth Oil Refineries Ltd., as a Company, does not enter into the contracts for the supply of crude oil. The representatives of the Commonwealth on the Board of the Commonwealth Oil Refineries Ltd. receive quotations, and, after comparison with prices from elsewhere, make their recommendation to the Government, which either confirms or rejects the offers of the Anglo-Persian Oil Co. As provided in the agreement, the Commonwealth has the option of making its own freight arrangements for the conveyance of the crude oil from Persia to Australia, if it can do so at a lower rate than that quoted by the Anglo-Persian Oil Co. Ltd.

Discussing the general policy of the Board, the Chairman of Directors told the Committee that, broadly speaking, the Commonwealth Directors on the Board have taken the view that, whilst the Company should be run as a commercial concern, its establishment was primarily intended as an additional source for the supply and refining of oil within the Empire, and to prevent, in time of emergency, any foreign combinations militating against oil supplies, and he indicated that the operations of the Company were conducted in such a way as to market the products at a price which would provide for proper amortization and depreciation of plant, and give a reasonable return to the shareholders.

Apart from the fact that the Commonwealth Government is the predominant shareholder in the concern, the Commonwealth Oil Refineries Ltd. is an ordinary limited liability Company carrying on business in Australia, and enjoys no special privileges such as exemption from rates, taxation, or Customs duty. There is, moreover, nothing in the agreement to prevent the establishment in Australia of other oil refineries.

The Committee also ascertained that up to the present no action has been necessary to give effect to the provisions of the agreement regarding the protection of the Company from dumping and unfair competition.

The published balance-sheets of the Company show that for the first three years of its establishment, i.e., up to the 30th June, 1923, the losses on the Company's operations each year had been :—£3,060 10s. 6d., £4,765 9s. 6d., and £4,004 13s. 10d. respectively, or a total of £11,830 13s. 10d. Shortly before the close of the year ended 30th June, 1924, the Company commenced refining and trading, and the Profit and Loss Account showed a loss on refining and trading, after charging administration and other expenses and depreciation, of £1,909 7s. 8d. During that year the Directors transferred to "Development and Establishment Account" the balances against Profit and Loss and Preliminary Expenses Accounts at 30th June, 1923, together with the portion of the current year's expenditure applicable to the period prior to the commencement of refining and marketing operations. It is proposed to write off the amount so transferred during the next few years as profits become available.

As the Commonwealth Oil Refineries Ltd. provides at present only a comparatively small proportion of Australia's consumption, in fixing the selling price of its products regard must be paid to the prices charged by competitors, and in the event of reductions the Company must follow the market or else lose its business. In the case of increased rates, however, the Company can fix its own price.

The Commonwealth Oil Refineries Ltd. commenced distributing its products in June, 1924, in Victoria, and later in the year supplies were placed on the market in New South Wales, Queensland, and South Australia. From the outset sales increased steadily until September, 1925, when the installation of the bulk distribution system by other oil companies caused business to remain more or less stationary until towards the end of January, 1926, when these companies increased their prices. As the Commonwealth Oil Refineries Ltd. did not raise the price of its products, the Company's sales received a substantial impetus, with the result that the refinery is now working at its full throughput which is equivalent to a yearly output of 6,000,000 gallons of motor spirit, 2,500,000 gallons of kerosene and 15,000,000 gallons of fuel oil, based on the refining of about 96,000 tons of crude oil. With the exception of a small quantity of crude oil treated at the refinery in its initial stages two years ago, which was admittedly not quite up to standard, the quality of the products of the Commonwealth Oil Refineries Ltd. has been proved by actual tests to be equal, if not superior, to the best grades on the Australian market.

Inquiry by the Committee indicated that on the whole the Company was being supported by most of the Commonwealth activities requiring its products. In some instances current contracts had precluded supplies being drawn from the Commonwealth Oil Refineries Ltd., but as opportunity offered, consideration was given to purchasing the products of this quasi Commonwealth concern.

Regarding the provision in the agreement for the appointment of the Anglo-Persian Oil Co. Ltd. as selling agent for the sale outside the Commonwealth and its Territories of the products of the Refinery Company, the Committee was informed that no sales have been made outside the Commonwealth, and, further, that there is very little likelihood of any such sales being made owing to transportation costs.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS.

The Commonwealth Oil Refineries Ltd.—a partnership between the Commonwealth Government and the Anglo-Persian Oil Co. Ltd., in which latter company the British Government holds a controlling interest—is an oil refining and marketing concern established in Australia in anticipation of the discovery of flow oil within the Commonwealth or its Territories. Until such supplies become available the refinery company is operating on crude oil imported from Persia and is placing on the Australian market refined products comprising motor spirit, power benzine, kerosene and fuel oil. As the crude oil is rich in paraffin there is a possibility of the manufacture of lubricating oils and paraffin wax being undertaken at a later stage of the Company's development. Aviation spirit is another product which the Company can manufacture, when required, but at present it does not consider it a commercial proposition to do so.

A review of the oil prices in Australia during the last few years indicates that the establishment of the Commonwealth Oil Refineries Ltd. has undoubtedly had considerable effect in stabilizing the local market for oil products. Figures placed before the Committee indicated that in December, 1922, when the Commonwealth Oil Refineries Ltd. was preparing to enter the Australian market, the price of first-grade motor spirit was 23s. per case, whereas it is now 17s. per case, and as a consequence, it is claimed that during that period reductions in the price of petrol alone have saved the people of Australia nearly £5,000,000. The reduction in prices has, to a certain extent, synchronized with a fall in price throughout the world, but it may be said that the presence of the Commonwealth Oil Refineries Ltd. has been a powerful influence in securing to Australia the benefit of price reductions.

Quite apart from this aspect, however, the establishment of the Commonwealth Oil Refinery has provided within Australia a very valuable asset, namely, an oil refinery complete in every detail and constructed on the most modern refinery practice; whilst the general arrangements afford all the facilities for the economical handling of such a business—from the reception of the crude oil to the dispatch of the finished products, either packed or in bulk.

As a result of its investigations the Committee is of opinion that the operations of the Commonwealth Oil Refineries Ltd. have been satisfactorily conducted. Having regard to all the circumstances, the Committee considers that the refinery at Laverton is well located and efficiently managed. The technical work is at present being conducted by experts specially trained abroad, but these officers are engaged in training understudies who will eventually be able to take over the full control of the Company's activities.

The plant now working represents one unit of an oil refinery—or the equivalent of 2,000,000 gallons of products per month. Owing, however, to the present demand for the Company's products, the refinery is working continuously at full throughput, and it appears to the Committee that, if the business already secured is to be retained and new business catered for, serious attention must immediately be given to the question of increasing the output of the Company, either by the extension of the present refinery or by the establishment of a new plant elsewhere. It was stated in evidence that to duplicate the plant at Laverton would occupy about twelve months and cost approximately £170,000, whereas to erect a plant similar to the existing one, say, in or around Sydney, would take more time and cost, exclusive of land, from £320,000 to £330,000.

The Committee unanimously recommends that early steps should be taken to increase the capacity of the present refinery and in the event of the demand for C.O.R. products being maintained, to eventually establish another refinery in or around Sydney so that the expensive coastal freights may be avoided.

In addition to increasing the Company's output, the Committee considers that further facilities for bulk distribution should be provided by the Company so that the people of Australia, who are financially interested in the Commonwealth Oil Refineries Ltd. can, to a greater degree, participate in its benefits and obtain its products conveniently and as cheaply as possible.

The Committee is of opinion that the necessary increase of the capital of the Commonwealth Oil Refineries Limited should be made to give effect to these recommendations.

THOMAS PATERSON,
Chairman.

Office of the Joint Committee of Public Accounts,
Federal Parliament House, Melbourne, 25th March, 1926.

RECOMMENDATION OF MINORITY.

Although we are satisfied that the present management has given general satisfaction, we are of opinion that in view of the fact that the Commonwealth Government owns a majority of the shares in the Commonwealth Oil Refineries Limited, it should also have a majority on the Board of Directors.

E. NEEDHAM.
P. J. MOLONEY.
E. C. RILEY.

Melbourne, 25th March, 1926.