



The Shell Company of Australia Limited

GPO Box 872K

Melbourne VIC 3001

Australia

Tel +61 3 8823 4148

Fax +61 3 8823 4084

email: Peter.Scott@Shell.com

Senator David Johnston
Chair
Senate Select Committee on Regional and Remote Indigenous
Communities
PO Box 6100
Parliament House
Canberra ACT 2600

1 December 2008

Dear Senator Johnston,

In the last month, the Senate Select Committee on Regional and Remote Indigenous Communities contacted Coles Express with regard to delivery of low aromatic fuel to the Shell branded, Coles Express service station at Halls Creek. This letter outlines Shell's view on this possibility.

As you may know, Shell already delivers low aromatic fuel to Shell branded sites in Alice Springs and to Groote Eylandt. The low aromatic fuel "Opal" is only produced by BP in its Perth refinery. BP delivers this fuel to Shell in the Birkenhead Terminal in South Australia. Shell does not have a depot with Opal fuel other than at Birkenhead. At present we supply this fuel to Alice Springs by placing tanker barrels of Opal on rail cars to Alice Springs.

Prior to this, the normal (and still optimal) supply route for fuel to Alice Springs has been via Darwin. Indeed Shell's normal supply route for all other fuel into the Northern Territory or Northern WA is via Darwin or Broome. Deliveries of fuel are optimised such that where possible, one road tanker is able to deliver several different fuels (e.g. diesel, different grades of petrol) to several service stations and thus minimise the amount of driving time for road tanker drivers.

Supplying Opal fuel to Halls Creek by road is a round trip in the order of 12,000 km. Shell does not consider this a feasible option, given the time that a driver would need to be on the road and the associated safety implications.

A feasible option would be to put tanker barrels on the railway from Adelaide to Darwin and then hook the barrels up to a prime mover and drive them from there. The round trip for a driver would be 4 days from Darwin as compared with 3 days from Broome, from where Halls Creek is currently supplied. The round trip time for the truck barrel would be somewhere between 12 and 14 days and would require 2 dedicated trucks during low season and 3 dedicated trucks in peak season (July, August). Additional trucks are expensive (estimated at around \$500,000) and have a lead time of around 3 months to procure.

Shell's preliminary estimates are that the cost of delivering fuel in such a manner to Halls Creek would significantly exceed the subsidy (30 cpl) offered by the Federal Government at present for delivering low aromatic fuel to Northern Australia.

Should discussion broaden to other locations in northern Australia, further additional trucks and drivers would be required for each site as, for example, scheduling constraints to avoid stock-outs and

alignment with train timetables, would otherwise make the supply chain totally unsustainable and unmanageable.

By far the simplest and most cost effective solution would be to have a supply of low aromatic fuel in Darwin (and Broome if possible), available for distribution to Northern Australia. Shell-understood, via discussion with the former Director of the Petrol Sniffing Prevention Programme in January 2008 that the Government was progressing this option. Once such a supply is available, delivery of low aromatic "Opal" fuel to northern service stations and communities will be a far more practical proposition.

Shell is happy to continue to engage with the Government on supply of low aromatic fuels. Please dont hesitate to contact me for further discussion.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Peter Scott", with a small dot at the end.

Peter Scott

GM External Affairs, Downstream

Shell Australia.