

# THE STAR

CALTEX'S MAGAZINE FOR EMPLOYEES, FRANCHISEES & RESELLERS  
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Keeping  
Australia moving  
the Caltex contribution



**CALTEX**  
Caltex Australia





## From the Managing Director

As Australia's leading fuels refiner and marketer and number one convenience store operator Caltex makes a big contribution to keeping the country moving.

In this issue of *The Star* we highlight some of the work done by Caltex people, the variety and complexity of our operations, and the dependence of the Australian lifestyle and economy on a reliable supply of fuels and lubricants.

Government also relies on us for over \$6 billion a year in excise and other tax collections.

Oil refining and marketing is a high volume, low margin business and highly competitive. In 2007, Caltex's profit on petrol sales after tax on a replacement cost basis was 1.5 cents a litre. This compares with the Government's excise and GST collection at the bowser of approximately 50 cents a litre. It is hard to see how recent claims of a reduction in the price of petrol of an average of a few cents a litre could occur without the government lowering its take at the bowser.

You can see from these stories here that it takes much skill and commitment across our business to stay strong and successful.

The oil industry is directly exposed to the international economic forces that are having tumultuous ramifications affecting exchange rates, the price of crude oil we purchase to refine into fuels and the petroleum products we import.

Caltex has strength in its diversity as being Australia's largest oil refiner and the country's number one fuels marketer. As we have told our shareholders and the stock market, this strength is proving important as the business prepares to weather a possible softening in refining margins if a recession in the United States causes the demand for global petroleum products to be less than expected.

I hope you enjoy reading about our people and learning more about what we do.

*Des*

Des King



## LPS at work

### Doing what you say you will do

Failure to inform stakeholders when you can't deliver what you promised can have negative consequences. The principles of the Loss Prevention System's safe performance self-assessment (SPSA) checklist of "what can go wrong?" can be applied to good effect for reputation and relationships.

This was the case when weeks of premium fuel shortages in NSW and ACT in early 2008 and the absence of public information led to consumer anger, media outcry, political intervention and accusations of oil company conspiracies.

Production of premium fuels was affected by technical problems at Caltex and Shell refineries in Sydney at the beginning of the year. The problem was compounded by constraints on import availability and infrastructure and the shortages persisted through March.

Of the three major oil companies, Caltex and its customers were least affected due to early planning around a major maintenance shutdown in March at Kurnell. Arrangements had been made for imports to cover supplies of Caltex premium petrols Vortex 95 and Vortex 98.

While the oil companies were working hard behind the scenes to overcome the premium fuel supply problems there was no concerted effort to inform the public of what was happening.

Frustration grew, with angry consumers accusing oil companies of deliberately withholding supply to increase prices.

This perception grew with accusations in the media and NSW Government claims that service station operators were deliberately closing down pumps on Tuesday when the petrol price cycle was at its lowest. Department of Fair Trading inspectors carried out verification checks on petrol stations including opening up tanks to see if the tanks were empty or at minimum levels. They were.

It was not until Easter on 23 March that two major competitor oil companies ran full page newspaper advertisements explaining the reasons for the shortage, apologising to customers and promising that deliveries would resume as soon as possible, saying they would keep the public informed.

The community expects there will always be a reliable supply of fuel available. People do accept that things can occasionally go wrong. When kept well informed they will understand and discussion in the media and elsewhere is more likely to be about the facts rather than speculation.

# Keepin the Caltex

Most people know that as the nation's biggest oil refiner and marketer Caltex produces and sells petrol, diesel, jet and other fuels in huge quantities.



COVER: Refining Engineering Manager Fran van Reyk plays a pivotal role in ensuring Caltex's refineries keep operating. See story on page 7

“The outback sites and depots bring comfort, cheer and vital products to thousands of people across the continent”

# g Australia moving contribution

**Each year we** supply around 11 billion litres of transport fuels to the market from our refineries and 140 million litres of lubricants and process oils from our lube oil refinery. Another three billion litres of sales come from imports or other Australian refineries. Other essential products come directly from the refining processes: bitumen, gases, waxes, chemicals and more.

Yet Caltex's contribution to Australia is even greater than that. Our products and services help to support a lifestyle that's the envy of the world and keep the Australian economy strong and growing. So significant is our contribution, in fact, that the net value of the

services, jobs and community support we provide is more than can be easily calculated.

Consider this. Through our offices, terminals, resellers and service station sites we provide flexible employment opportunities to thousands of people across the country.

Through our franchise operations we offer strong small business opportunities to hundreds of entrepreneurs. Our outback sites and depots bring comfort, cheer and vital products and services to large numbers of travellers, remote communities and regional suppliers. By serving the needs of power generation customers with fuels and

lubricants, we help keep the lights on in our cities and towns. We are deeply engaged with our communities and chosen charities.

On top of all this we're Australia's second biggest corporate taxpayer contributing over \$6 billion a year to the public purse through excise and other tax collections.

Naturally it's the people who keep the whole system flourishing. *The Star* invites you to meet some of them in the stories that follow. We hope you enjoy these behind-the-scenes insights into a typical day in the life of Caltex Australia. ●



Keeping Australia moving with sales of over 7 billion litres of petrol a year Caltex supplies around 37 per cent of the domestic petrol market





Trading Manager Geoff Sharpe finalising another multi-million-dollar crude oil purchase

# The crude oil traders bargaining in billions

**7pm.** Caltex Crude Trading Manager Geoff Sharpe is on the phone in his Sydney office, talking to an oil trader. “Okay then, it’s agreed,” says Geoff. “Six hundred and fifty thousand barrels of Kutubu crude for loading late May.”

**He hangs up,** feeling satisfied. He’s just concluded the purchase of a cargo of Kutubu – crude oil from Papua New Guinea. The other oil trader represents the seller, the Australian-listed oil and gas company Oil Search.

Geoff has agreed to pay “APPI Tapis” – a market reference price for regional light sweet crudes – plus a premium. The total price will be close to US\$70 million and the deal is now locked in. The shipment will load between 26 and 30 May.

Next, Geoff passes details of the deal to Phil Manson, Senior Supply Scheduler and Charterer, and Andrew Parkinson, Crude Oil Scheduler. Phil is responsible for organising a ship to load the oil and bring it to Caltex; Andrew will schedule it into the refineries.

As is common, the cargo will be split between the two refineries. Caltex’s Lytton refinery will get its share on 4 June and the Kurnell refinery the balance three days later.

## Endless cycle

For Geoff and his colleagues in the trading office these negotiations are part of a cycle that Caltex, and Australia, rely on to supply the fuel products that keep industry and the economy moving.

This year Caltex intends to buy around 80 million barrels of crude oil at a cost of more than A\$8 billion and delivered in around 135 vessels. It will mostly consist of light and heavy sweet crudes, which are best suited to Caltex’s refineries. (“Light” and “heavy” refer to the crude’s density and “sweet” indicates low sulfur.)

Today, in addition to the Kutubu cargo, Geoff has been negotiating another 350,000 barrel shipment of Tantawan crude from Thailand. This is an “arm’s length” deal with Chevron Singapore for crude from a joint venture Chevron operates with a number of Thai producers. The price tag for this shipment: around US\$35 million.

“In one night we’ve spent over US\$100 million,” says Geoff. “You can see why the trading operation requires careful planning and plenty of negotiating.”

His team works closely with Chevron traders in Singapore. In fact from a trading viewpoint Caltex and Chevron – which owns 50 per cent of Caltex – present a united front. If Chevron has a strong link or relationship with a producer it will buy for Caltex and vice versa.

Geoff routinely works into the evening. Most of the traders he deals with are in Singapore, the market through which Caltex buys much of its oil for refining, and Singapore lags the Australian east coast by two or three hours depending on the time of the year.

## Staying informed

A key part of Geoff’s job is to stay informed. Like the stock market, the volatile crude market is influenced by events and sentiment. Caltex buys most of its crude oil from the region – mainly Australia (27 per cent) and countries including Vietnam, PNG and Malaysia (10-20 per cent each). But it has also recently begun buying crude from West Africa.

# The refinery

## supporting a lifestyle

This year Caltex intends to buy around 80 million barrels of crude oil, mostly light and heavy sweet crudes, at a cost of more than A\$8 billion and delivered in around 135 vessels

**10am**, at Lytton refinery in Brisbane. “Morning Dave,” says console operator Ian Keable to his colleague David Wilson in the refinery’s brightly lit central control room.

With a cup of coffee beside him, Ian sits in front of a bank of monitors. The two men are discussing the rate target for the FCCU (fluid catalytic cracking unit). For today, it’s 4,800 tonnes. That’s the amount of “cracker feed”, a heavy fraction of crude oil that the towering FCCU reactor will be required to process in 24 hours, turning the oil into fuel products.

The target has only just been set, after discussions at the morning production meeting chaired by the shift manager and attended by about 20 people from Supply Operations, Production, Reliability and Technical Services.

### Cracking the oil molecules

“We’ll have to run the unit at around 90 per cent capacity,” says Ian as he keys in the new production target. With Ian’s help, the control system will now adjust throughput in a highly complex process. The end result will see molecules of the heavy oil “cracked” in the FCCU to produce a variety of products – including LPG and blendstocks for diesel and petrol.

As specialised and difficult as controlling the FCCU throughput is, it’s a small step among many in the labyrinthine workings of the largest refinery in Queensland and the fifth biggest in Australia.

The feed that goes into the FCCU is the heavy residue from crude oil that’s already been processed through one of the refinery’s two

crude distillation units. Some 12,500 tonnes of crude oil is processed daily at Lytton in this way after the gas, naphtha (petrol fraction), diesel and jet fuel have been distilled from it.

From those 12,500 tonnes the refinery will produce around 1,500 tonnes of jet fuel, 3,300 tonnes of extra low-sulfur diesel, 6,500 tonnes of petrol, 600 tonnes of diesel for export – containing up to 500 parts per million of sulfur – 250 tonnes of LPG, 200 tonnes of fuel oil and smaller amounts of other products like refinery fuel gas.

### 35,000 tonnes a day

“With the production from Caltex’s other refinery at Kurnell, the company can handle about 35,000 tonnes of crude oil per day,” says Matt Fulton, Lytton refinery’s Operations Planning Manager.

Almost 70 per cent of finished petroleum products are transported from Lytton via pipeline to local terminals for distribution throughout southeast Queensland. The remainder goes by ship to ports as far north as Cairns. From the terminals the product is trucked to service stations and finally dispensed to Caltex customers.

“The refinery and its products contribute to the growth of the state’s economy,” says Matt. “They support the Queensland lifestyle and offer great employment opportunities. We’re proud of what we do.” ●

Disruptions to production, such as when cyclones hit the West Australian coast, can suddenly shut down facilities and tighten the market. “So we watch our newswire screens all the time for information that might impact supply,” says Geoff.

Remembering back a decade the team was doing just that when they heard a news report about an explosion at Esso’s Longford oil and gas facility in Victoria. They couldn’t immediately find out what was happening, though early indications were that it was serious and likely to disrupt Gippsland crude supplies to Caltex. So the team immediately moved into the market and bought a lot of crude oil.

“As it happened that was the right thing to do,” says Geoff as he turns back to his screen to check the Reuters news. “The Caltex refineries were able to keep operating even though Esso and BHP were unable to supply ten cargoes of Gippsland crude we’d ordered.” ●

Discussing rate targets at Lytton, from left: Matt Fulton, David Wilson and Ian Keable





# The shutdown

## a fine balance

**10am** on a humid February morning. At Caltex's Kurnell refinery on the southern end of Botany Bay, it's a busy day. Hundreds of people in blue overalls and hard hats swarm like ants over a maze of pipes, platforms, pressure vessels and machinery. Vehicles, cranes and forklifts manoeuvre slowly through the throng.

**Shutdown superintendent Mike Charlton** is standing beside a thoroughfare with a mobile phone clamped to his ear, talking to his manager Steve Thorsby.

"The work's going well, especially on the CDU," Mike tells Steve. "And it's all progressing safely. I reckon we're on track to finish in just over three weeks time."

Non-refinery people might find it impossible to comprehend what's going on here. Today is a milestone, the halfway stage of a 50-day-long shutdown where some of the units responsible for turning 120,000 barrels of crude oil a day into petrol and diesel lie silent, closed for cleaning and maintenance. The work will cost Caltex \$30 million and involve a labour force of over 750, mostly contractors.

Planned major maintenance – a "turnaround" in refining jargon – is all part of Caltex's work to help ensure the reliable supply of fuel to keep the country moving.

### Safety first

For everyone involved, safety is the single most important issue. But the teams have embraced the Caltex Incident and Injury Free program which

is making a difference. "We're really seeing a change in how we do things," Steve says.

Much is at stake. While the crude distillation unit (CDU), sulfur recovery plant, diesel hydrotreater, splitter and reformer are down, the refinery is like a body through which blood has stopped flowing. It simply can't function.

Though the Supply team and others have been planning for this event for 18 months and have imported and stored fuel to cover the shortfall, delays can have dire consequences in cost blowouts and lost sales. In addition the Supply people have had to time the purchase and storage of enough crude oil to ensure the units can run at peak capacity when they come back on line.

"It's a finely balanced operation where all activities *must* dovetail with the supply process," explains Refining Engineering Manager Fran van Reyk.

### Injury free hours

On site, as he does every day, Mike Charlton works with controlled speed, reallocating workers to priority jobs and constantly monitoring their safety and progress. Today he is delighted. "The shutdown has just completed 100,000 work hours without an injury," he tells colleagues with a smile.

It's also good news for Sydney. Shell's Clyde refinery in western Sydney has had an unexpected shutdown that's disrupted production, threatening to result in weeks of tight petrol and diesel for the metro area. With the Kurnell shutdown running ahead of the planning schedule, Caltex Refining might be able to better help overcome the supply shortfall caused by the Shell outage.

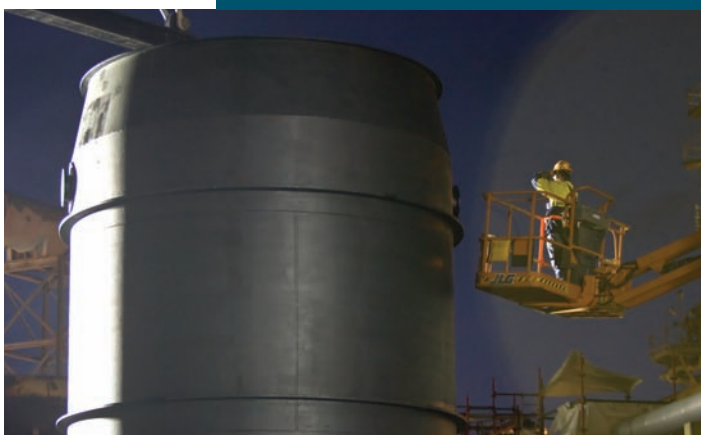
Having people on site like Mike helps, says Fran. A Chevron secondee, his specialist knowledge is essential for smooth operations.

### Part of the process

Shutdowns are a key part of the refining operation and are critical to maintaining safety and reliability. They usually take place every four to five years to comply with statutory requirements for inspecting and maintaining pressure vessels and related equipment as well as fouling and general wear and tear.

"A shutdown requires a lot of effort from an integrated team from all parts of Refining," says Fran. "If we didn't run them properly the results could be catastrophic for the whole supply chain and the economy of the state." ●

Area specialist Ian Ottaway watches as the top 10 metres of a 67-metre concrete stack are removed and replaced with an 80-tonne steel cap during the Kurnell shutdown





Safeguarding supply, from left: Mike Charlton, Fran van Reyk and Steve Thorsby



## FRAN'S JOURNEY FROM RIG TO REFINERY

Fran van Reyk took the job as Refining Engineering Manager at Caltex two years ago, relishing the challenge

of improving safety performance and the way the company executes turnarounds and minor capital projects at Lytton and Kurnell refineries.

Her role is pivotal in ensuring the refineries keep operating. Processing millions of tonnes of crude oil at high pressure and temperature through a complex of pipes, distillation columns, catalytic cracking towers and bulbous reactor vessels takes its toll in wear and tear as the oil is transformed into petrol, diesel and jet fuel. Major maintenance and replacement of refining plant is carried out about every four years in a way that makes a refinery a bit like grandfather's axe: it's had quite a few resharpened heads and lots of new handles in its lifetime.

In addition to maintenance, in her job at Caltex Fran also oversees procurement, long-term planning and the introduction of best practices into the capital execution and turnaround process. All up she's responsible for overseeing around 1.2 million work hours a year, an annual capital budget of \$100 million and a turnaround budget of over \$50 million.

"Many of the projects and turnarounds we're planning today will not be completed until 2009 and beyond," says Fran. "Only then will we know we've been successful in ensuring supply reliability. There is a long-term focus in this role."

Fran's role is far removed from her childhood dream in Melbourne of becoming a professional photographer. But coming from a long line of lawyers and as dux of Year 12, the expectation was that she would follow in the family footsteps.

Her parents, wanting her to go university, wouldn't support her photography studies. "I said fine. I'll do engineering. They were horrified. I chose it out of petulance perhaps but it ended up being a great choice. I love it!"

In her 23-year career Fran has built an impressive track record. Having topped her final year in Civil Engineering at the University of Melbourne, she was recruited by Esso (now Exxon Mobil) and started her career as a drilling engineer in Bass Strait.

"That was a shock to the system for a 21-year-old," she says. "It was seven days on, seven days off."

Next she got a taste of the commercial building industry as manager of the design team that built the £30 million combined flow sewerage pumping station for London's Docklands

development. Later she worked on the expansion of Melbourne international airport and saw "the real tough side of the industry" as operations manager for a galvanising plant.

She got a feel for lobbying as state manager for the Australian Institute of Steel Construction and developed her leadership and organisational skills moving through the ranks at Fluor as an international engineering and construction contractor, where she eventually joined the leadership team.

Her full-time return to the oil industry is not Fran's first contact with Caltex. That happened during a stint with the engineering design contractor which designed Caltex's Clean Fuels Project and handled other work for the company.

After following her husband to Sydney, she went out as an independent consultant. When her current position became vacant she started talking to Caltex. Soon after, she got the job.

"Having worked on the Clean Fuels Project I was aware of the challenges of the job so went in with my eyes wide open," Fran says. "But I knew there was plenty I could do to make a difference."

Fran will take on a new role as Manager Major Projects Kurnell in May. ●





George Chenouda and the \$6 billion Caltex tax team

# The tax collectors

## a \$6 billion team

“There’s no such thing as a paperless office,” says George Chenouda with a sigh as he surveys the desks of the Caltex tax group.

**It’s nine o’clock** on a Monday morning, always a frenetic time for George, the Caltex Tax Manager, and his team of eight people. The staff are working at keyboards, completely absorbed in what they’re doing. Their desks are crowded with files, folders, papers and documents.

“We have to rely on legislation, rulings, guidelines, case law papers and so forth which we can’t always access on screen,” says George. “We also have to keep a lot of documents for the ATO.”

### Australia’s second largest tax collector

The importance of what the team are doing belies the relatively small space they occupy on the twenty-third floor of Caltex’s 2 Market Street office in Sydney. According to a recent PricewaterhouseCoopers survey, Caltex is Australia’s second largest corporate tax collector, paying or collecting taxes of over \$6 billion to government in 2007. This includes forwarding more than \$80 million in excise from all fuel and lubes sales to Canberra *every week*.

“Every Monday we have to electronically remit to the tax office our excise collections from the previous week’s sales,” says George. “That occurs regardless of whether we get the money from our customers or not – we simply have to find that \$80 million from our working capital every Monday.”

Tax permeates every transaction Caltex enters into. And excise isn’t all. The company must pay some \$80 million *again* in GST to the federal government each month. Plus there’s 30 cents in the dollar of profits before tax to be paid in income tax, so the more money Caltex makes the more the government takes.

On top of all that Caltex collects other taxes on behalf of government, like PAYG withheld from employees’ pay, payroll taxes, workers compensation premiums, local taxes for service stations, land taxes and others. As an organisation it must handle an astonishing 60 company “taxing points” with revenue authorities.

### “We have to find \$80 million from our working capital every Monday”

#### Huge sums

“These are huge sums we have to account for,” says George. “And if we get any of that wrong we face severe financial penalties of up to 25 per cent.”

Not surprisingly the team depends heavily on its systems. Take excise. Caltex must work out what proportion of fuel is consumed in Australia and what goes offshore, and what proportion is subject to buy-sell deals with other refiners. Generally, those supplies are not subject to excise until they’re sold by the other company.

“We do a lot of work to make sure our systems stay compliant,” says George. “I would have the equivalent of one full time person involved on excise compliance for one day a week, checking, reconciling and preparing the fast transfer to the tax office.”

In most organisations the compliance function is split within the various accounting roles around the company. At Caltex it’s centralised in George’s team which he believes results in greater efficiency and control.

George has been in the job since 2000 and is a hands-on manager, overseeing the running of the department on a daily basis and getting involved in just about everything that happens in it.

What he refers to as his “dynamic team of young professionals” does more than collect tax and remit it to government. They also give tax advice on many transactions and projects entered into by the business, provide training to the business on tax issues, implement new systems, policies and procedures for changes to the law and deal with ongoing tax audits by various revenue authorities. The team is currently managing an excise audit, two GST audits and finalising two payroll tax audits. To stay good at what they do, they must ensure they remain on top of constant changes to tax legislation.

Does he enjoy the work? Sure, he says. He likes change. “There’s always something new happening here. It gives me understanding of the business I wouldn’t otherwise get. I come across finance, marketing and corporate issues all the time. This is a very, very interesting role for people who like tax, and I do.”

Any regrets? He’d love to have a tidy desk policy, and to include himself in it.

“But I just can’t.” ●



# The terminal

## the hub that never sleeps

**6am.** The roar of turbocharged diesel engines fills the air on the northern fringes of Botany Bay. A procession of tanker trucks is moving into the vast Caltex terminal at Banksmeadow, Sydney. One by one, they enter covered bays where their drivers load up to 70,000 litres of petrol, diesel, jet fuel and heavy fuel oil into their barrels from gantries.

**Some of these** truckies have been on the road since well before dawn. Between 4 am and 8 am is one of the busiest times at Banksmeadow, one of 22 terminals Caltex delivers fuel from across the nation. In volume throughput Banksmeadow ranks third after the Newport terminal in Melbourne and Lytton terminal in Brisbane.

Every day, around 5 million litres of fuel products pass through here – over 1.6 billion litres a year. It's an operation that never sleeps, a major hub in the fuel supply chain that's every bit as crucial as a refinery.

The tanker trucks entering the main gates belong to Caltex resellers and contract carriers. From here they'll distribute through the Sydney basin and further afield into regional NSW to satisfy the state's unquenchable thirst for fuel.

### Specialist skills

Naturally, none of it could happen without the specialist skills of Caltex people. In a well-lit control room, Pipeline Coordinator Rob Brooks is on duty, perched in front of six computer screens that cover the terminal and pipeline to Newcastle. One of 12 terminal coordinators, he's working a 12-hour shift today in tandem with another coordinator.

With deft taps on a keyboard he checks and directs the transfer of product through the maze of pipes and tanks. At the same time he keeps a close eye on a monitor where coloured lines and figures show the functioning of the vapour recovery unit (VRU). This recovers about 95 per cent of fuel vapours captured from the tanker loading process.

### An injury free workplace

The VRU is an essential piece of safety and environmental management equipment for terminals which ensures the vapours are not released into the atmosphere. Safety is the number one priority here, and all staff are alert to ensure the smallest incidents are recorded and investigated. Right now they're especially proud. Their record stands at over 1,700 days without a lost time injury and

over 1,500 days without an employee needing medical treatment.

"I see on the permits we've got three contractors on site today?" says Peter Riley, the terminals Facility Coordinator.

"Yep, they're assembling the floating pan in the ethanol tank," answers Rob. "Another team's pouring the slab for the pumps and the plumber's in to fix the leaking water line."

Soon Peter sets off on his daily inspection to check operations are running smoothly and safely. Like many at the terminal, he's got a lot on for the day. As Facility Coordinator he's responsible for controlling all its daily functions safely and efficiently – monitoring costs, ensuring product supply and maintenance systems are running well and managing staff and customer matters.

### Five days' supply

As he walks through the terminal grounds clad in an orange high viz safety vest, Peter is flanked on all sides by huge white storage tanks. These hold four to five days' supply of the various petroleum products that come from the Kurnell refinery across Botany Bay via five underwater pipelines.

The refined products in the tanks don't only leave the terminal in road tankers, as product is also pumped through a multi-product pipeline to the Newcastle terminal 150 kilometres north of Sydney. Product is also pumped to Sydney's Brotherson Dock on Botany Bay for dispatch to bunkering barges to supply ships.

Peter stops at a site to inspect how work is progressing on some new infrastructure and to check contractors are working to the requirements of their work permit. Reconditioned tanks here will soon allow Banksmeadow to blend Bio E10 Unleaded, Caltex's petrol blend containing 10 per cent ethanol, on site.

"No issues this week but the interim measures for supplying E10 have added to the terminal's costs," Peter tells colleague Ron Brennan.

Banksmeadow has been supplying E10 to market by having tankers pick up the petrol component at the terminal and travelling to the Vopak terminal three kilometres away to add the ethanol.

"They may have," agrees Ron. "But at least it will allow us to supply E10 into the market and work towards meeting the ethanol mandate requirements in NSW."

### Bringing on biofuels

By the end of May this \$2.9 million upgrade will allow Caltex to store ethanol and blend it with unleaded petrol to make Bio E10 Unleaded at Banksmeadow to satisfy a mandatory requirement – and market need – for the biofuel and save money. (The state government mandate requires ethanol to make up two per cent of petrol sales in NSW.)

A similar project is under way at Lytton terminal in Queensland. In the Sunshine State Caltex is currently having ethanol blended with petrol at the SEQF Depot at Rocklea 30 kilometres from Lytton.

Meanwhile Peter continues on his rounds, monitoring the activities going on in the terminal for the day. ●

Peter Riley at the Banksmeadow terminal's VRU



# The power generator

## keeping our lights on

**8am.** Walking into his office at Bayswater Power Station at Muswellbrook, Ray Durie greets his colleague, Fuel Services Administrator Lisa Elliott, and wonders what the day holds in store.

**Ray is Fuel Services Manager** for Macquarie Generation, a New South Wales government owned corporation that supplies the national electricity market. Macquarie owns Bayswater and Liddell Power Stations in the Hunter region of the state.

For Ray, there's no typical day. Though his team spends most of their time dealing with the purchasing and delivery of coal for the power stations, firing up and feeding the plants is a complex business.

That's where Caltex comes in. The power stations don't just depend on coal. The hundreds of thousands of litres of distillate that Lisa orders over the internet from Caltex, depending on need, is used to fire up the plants after a shutdown before they switch to coal. Depending on circumstances, between 200,000 and 500,000 litres is needed for a boiler startup.

Or, as happened last June when flooding closed the New England Highway between Singleton and Muswellbrook, the coal became so wet that distillate was burned as well to support the combustion process.

Since Macquarie Generation generates 40 per cent of the state's electricity, that means Caltex helped keep the lights on. "We can run into severe problems if coal flow to the boiler gets interrupted," explains Ray. "If you have problems with coal quality you may need oil to keep the units running."

Caltex won the tender to supply Macquarie Generation in March 2007, based on price and performance. "We're very happy with Caltex," says Ray.

Once orders are made, Ray's team deals directly with Gary Ehsman, Caltex Fleet Coordinator at the Newcastle terminal, to sort out delivery arrangements made by B-double tankers. "Deliveries are made as we need them," says Ray. "We may get nothing for a week, then order half a million litres."

Yet the deliveries are always reliable, he adds. "In an emergency when fuel is needed right away, we've never had a situation where distillate isn't available," says Ray.

### Power for the territory

In the same way Caltex is relied on throughout Australia to deliver fuel to ensure electricity is available for hospitals, industry, commerce and homes.

Bayswater Power Station, Muswellbrook – another satisfied Caltex customer





In the Northern Territory, for example, Power and Water Corporation buys diesel from Caltex for generators to supply customers across a vast area. The fuel is used to generate power for Darwin; for towns like Alice Springs, Robinson River and Galiwinku; to nearly 7,000 customers in remote Aboriginal communities and to the islands of the Top End (by barge).

In Darwin Caltex supplies diesel out of its local terminal for the Channel Island Power Station in the city's harbour. The biggest power station in the territory, it can run on either gas or diesel, says National Sales Manager Harry Stilin.

"In a two-month period recently, Caltex supplied large volumes of fuel to keep power stations running across the continent," says Harry.

"It's true to say that thanks to Caltex's responsiveness and its strength in supply and distribution, the lights have *always* stayed on." ●



Kippa-ring clan, from left: Jan Leeder, Paul Sansoni, Shareen Suhan and Rebecca Hodgson

## The service station offering lifestyle choice

**3pm.** At Kippa-ring north of Brisbane, cars are queuing on the forecourt of the Caltex Woolworths store. A customer in the store approaches the counter.

"Where's Bec today?" he asks.

"Oh hello Mr Russell," says customer service attendant Shareen Suhan. "It's Rebecca's day off. She'll be in again on Saturday."

Local customers at the Kippa-ring store often stop to chat with the people who run it. It's not surprising they know them well. At least three of the staff have worked here for ten years or more. Shareen has been here 17 years, through two different franchisee owners before the site became a Caltex-operated Calstore nine years ago.

Why so long? "Well, I like the people," says Shareen. "This area is like a little bush town and the customers are pretty fond of us all, especially the older ones."

Most of all the staff like the flexibility of their working arrangements. Many live nearby, within a few streets of each other. And Caltex, they say, has offered them employment that ideally suits their lifestyles.

Store manager Jan Leeder is a relative newcomer, having been here just five years. But even when Jan started her Caltex career as a casual customer service attendant (CSA) at the Caltex Woolworths site at Stafford in Brisbane back in 1998, the role suited her.

### Caring for kids

When Jan's two children were younger she could earn money at weekends while her husband was at home. Then during the week her early morning starts meant she could finish work by two and meet the kids when they got home from school.

### Paid holidays

Higher duty CSA Rebecca Hodgson lives a short walk from the site. She found that working as a casual for five years suited her and her two kids, too, when they were younger. She moved to a permanent part-time arrangement four years ago, working 35 hours a week. "It's better for me because you get paid holidays," she explains.

Rebecca works days, four times a week and every second Saturday morning – two days on consoles and two helping the manager with back office functions.

Close neighbour Shareen Suhan is also on permanent part-time duty and has two kids in their 20s. "I don't have far to travel, I love the customers and they like us," she says. "One told us the other day they broke the mould when they made us girls."

### Not just for girls

Of course flexibility doesn't only suit women workers at Kippa-ring. Another local, CSA Chris Offer, has been working here for ten years. He started as a 15-year-old schoolboy and is finishing his second university degree. "I can work nights, mornings, and weekends and arrange the roster to suit my study time," Chris says.

Stories like this are repeated throughout the Caltex convenience retail network. Staff across the company, and not just in retail, can benefit from similar arrangements.

Besides they know their flexible working arrangements are supported by the company's diversity policy. The company is increasingly trying to support employees with flexible working arrangements in which a "win-win" can be achieved for the employee and the business. "Flexible working arrangements can help our people to balance the most important things in their life," according to Group HR Manager Simon Willshire.

### Two-way deal

While it's excellent news that the Kippa-ring people are happy with their work arrangements, the company gets plenty in return, as Lytton-based Retail Business Manager Scott Harrison points out.

"In exchange for the flexibility we've got loyalty and reliability, which makes for a *much* better convenience retail operation," says Scott, who previously worked as the Kippa-ring store manager. ●



# The truck stop and depot really big business

**8.30pm.** Night has fallen over the Caltex truck stop and depot at Goondiwindi, 360 kilometres west of Brisbane. Inside, a driver is sitting down to a dinner of roast beef, vegetables and gravy. He nods greetings and exchanges handshakes with drivers at tables nearby. Their rigs – huge, two-trailer road trains and B-doubles – are parked outside.



**While they're eating,** a blond-haired man ambles up to the table. "G'day fellas," says Bow Andersen, who manages the 40,000 square metre venue with his wife Helen. "Did you enjoy your meal?"

Yes, they say, and as soon as they've had their dinner and a shower, they'll turn in. Bow chats for a while before moving back to the shop section of the 726-square-metre retail precinct.

This Caltex truck stop in "Gundy", as it's affectionately known by locals, is leased by Caltex equity reseller Petro Fuel and Lubricants. It serves as a home away from home for the east-coast trucking community.

On any week day, up to 70 vehicles and their drivers will spend the night here, parked in an area the size of three football fields. The men will sleep in their cabs after having eaten, showered in the facilities laid on for them and watched TV in the recreation room. When it's very hot, it's not uncommon to find truckies asleep on the lounges, enjoying the airconditioning, says Helen.

It's not just the smiles of Bow and Helen and their 35 staff that are big. Everything here is

significant. With 12 high-flow pump stations, the truck stop side of the business shifts 2.7 million litres of fuel products a month – 2.5 million of diesel – and serves an average of 300 trucks a day. Many of the truckies who work for interstate transport operators move grain or cotton to Victoria and the southern states. Another forecourt serves fuel and convenience store goods to the tourist, local and bus trade.

## Home away from home

The amount of fuel dispensed is of a size to match the venue. During good local harvests of grain and cotton the Goondiwindi site will sell up to 200,000 litres of diesel a day – well over double the average rate – from the truck stop alone. The site then virtually becomes a home for long-distance drivers. "Each season we look forward to the familiar faces returning," says Helen.

It also serves as a regional focus for the Petro business, where local customers collect their lubes, top up cars with petrol using the Reseller StarCard and in some cases pay their bills. Goondiwindi is one of many sites in the Petro network that allows customers to buy fuel and oil, either bulk or through the bowser, on one account.

## Depot serves a vast area

In good times the depot side of the business, which Bow also manages, can sell even more fuel – up to 500,000 litres a day of diesel and thousands of litres of lubes like Delo – to satisfy the needs of farmers, some of whom operate in the remotest parts of western Queensland.

The distances involved are enormous. Petro, headquartered at Toowoomba 160 kilometres west of Brisbane, covers close to a million square kilometres of Queensland. Its trucks travel 110,000 kilometres a month, often over unsealed roads, according to Peter Harris, General Manager of Petro.

In addition to selling fuel and lubes for customers on site, the Goondiwindi facility, like all Caltex depots, manages deliveries for farmers and industrial customers. It also delivers to remote retail sites. The depot employs three drivers who work six days a week 12 hours per day delivering fuel and oils to rural properties.

The existence of such oases has much to do with the size of Australia and the fact that terminals are on the coast. Many of Caltex's 88 depots serve as repositories of fuel and lubes in areas where service stations are far apart or inaccessible.



# The workshop

## where lubes help keep local customers happy



Goondiwindi – miles from nowhere and keeping truckies happy

LEFT: Bow Andersen runs a site where everything is on a big scale  
BELOW: Helen Anderson shares a joke with a customer



But as in all Caltex businesses, it's the relationships and human company that are the most important ingredient. Bow and Helen know most of the truckies who stop at Goondiwindi. One of their commonest questions is, "Where are you off to today mate?"

For them it's no hardship. They've been in business together for 28 years, running shearing contracts until the big downturn in the wool market seven years ago. That was followed by a stint in the motel business where Petro "found" them a couple of years ago at their Goondiwindi hostelry, the Ascot Lodge.

"In a lot of ways the truck stop is like the motel," says Helen. "Our clients are looking forward to a long shower, hearty meal and sound sleep. The big difference is most of them also want 1,500 litres of diesel while they're here!" ●

**4pm.** The television plays quietly in the reception area of Blackheath Automotive Services west of the Blue Mountains. Two customers relax on leather lounges sipping hot chocolate while a child tinkers with toys in an adjacent play area.

"People seem happy to arrive a little early and wait for their cars," says the workshop's office manager Carol Elboz. "Some say it's more peaceful here than home."

The reception area's shiny wooden floors lead to tall glass windows that overlook the workshop's interior with its seven bays. "Nothing's hidden," Carol says. "Our customers can watch their cars being worked on and see the care that's being taken."

George Vergotis, owner of Blackheath Automotive Services, and his team of four mechanics like it that way. They pride themselves on their service and cut no corners in satisfying customers.

### Cementing a reputation

And it's Caltex lubes products, George believes, that help to cement that reputation and ensure serviced vehicles leave the premises ready to run well.

The workshop uses 20 Caltex products ranging from Havoline Premium Plus petrol engine oil to Easyshift transmission fluid. Oil consumption alone is around 1,500 litres a month.

"We've been using only Caltex products for the past four years and we're very happy with them," George says. "We've had good reports about their quality and no issues with cars burning oil – which was happening *before* we made the change to Caltex."

The workshop, rebuilt from scratch in 2005, boasts up-to-the-minute diagnostic and mechanical servicing equipment. It's environmentally conscious too, with waste materials recycled and tank water used for complimentary car washes given to all cars booked in for servicing.

Lubes Manager at Caltex's Penrith Depot, Jim Jordan, supplied oil installations at the time of the workshop's rebuild. These consist of overhead gantries with three grades of engine oil, compressed air, coolant and water – all digitally dispensed. Jim has been liaising with George and supplying him with Caltex lubes products ever since. He admires the commitment the business has to its customers.

It's a mutually satisfying relationship. "Not only are we happy with Caltex products but the service Jim provides us is outstanding," says George. "He always goes out of his way to ensure we're looked after."

George and most of his team have lived in the Blue Mountains area for decades and understand the importance of quality maintenance for vehicles that travel long distances and handle steep terrain. Holiday periods are particularly busy for the facility located in Blackheath's picturesque heart, but it is loyal, local customers who ensure business remains brisk throughout the year.

The auto facility is, in turn, a significant supporter of its local community. For example it's a major sponsor of Blackheath Public School's biannual billycart derby, providing prizes and show bags for each student.

At the most recent event, Jim provided Caltex bags which Blackheath Automotive Services filled with show bag fare, including Havoline stickers.

"It's a pleasure to support our clients and their customer base," says Jim, "whether it's through our Caltex recognised products and services, or in smaller, different ways." ●

Jim Jordan (left) and George Vergotis in discussion in the Blackheath workshop while Carol Elboz chats to the mechanics



# The franchisees happy unions

In Brisbane . . .

**5pm.** The sun's getting low but it's still warm in southeast Queensland. Customers turning into the forecourt of the Caltex site in the inner-east suburb of Carindale pass by well-maintained gardens.

**Inside the airconditioned** Star Mart, franchisee Kathy Turner is replenishing her fresh bakery display unit with piping hot gourmet pies, fresh muffins, cakes and donuts. That fresh bakery aroma and great presentation drives sales with several customers lining up to place an order.

"A lot of our customers are very busy people who are short of time. My priority is to deliver the freshest products when they need it," explains Kathy, a former fashion retailer.

Perception is everything in retailing, she adds. That's why she and her husband Gary – who between them operate five Caltex sites in Brisbane – employ a full-time maintenance person to keep exteriors smart.

The first thing people see when they pass a service station is the outside appearance, Kathy points out. It tells them immediately what the inside will be like. Then when they see a clean store and friendly staff, they're likely to come back.

The Turners are the embodiment of how a good franchise relationship can be profitable for both parties. Gary and Kathy have an ability to work within the boundaries of the franchise and the energy and drive to be proactive in areas where there's room for flexibility, says Alan Burton, Caltex Operations Support Manager.

Caltex Business Manager Gene Mulder agrees. "Their success lies in teamwork," he says. "They're the most proactive of franchisees I've ever worked

with. They look after their staff and never stand back and expect someone else to sort out their problems for them."

"We work *with* the system not against it," agrees Gary. "We value the input of Caltex people."

Working with the system involves regular meetings with Gene, embracing the All Stars program to audit and recognise performance, keeping planograms up to date, keeping the store, pumps, windows – everything – immaculate, and much else. It also means maintaining an excellent fresh offer, including vegetables, sushi rolls, fruit and salads (Kathy's responsibility).

Gary is an old hand in the service station business, having run sites for another company before acquiring the Toowong Caltex five years ago. He then added the others, one by one, at Woolloongabba, Indooroopilly, Carina and Carindale.

What made the couple come to Caltex? "Caltex was going forward," Gary says. "They were encouraging, supporting and keeping franchisees in their system at a time when competitors were losing market share. And Toowong was a good store."

And in Wollongong . . .

**5.30pm.** Over a thousand kilometres to the south Michael Rodrigues has had a long day. But he is still hard at work in the Caltex service station and Star Shop at Windang near Wollongong – and still smiling.

**In the past** half hour he has checked the store layouts and planograms to make sure they're aligned, served over 20 customers – greeting some by name – thanked a staff member for

doing a great job, checked oil and tyres on elderly customers' cars and filled them up with fuel.

It's all in a day's work for Michael and his wife Samantha, who run two Caltex franchise service stations in the Illawarra (the other in partnership, at Barrack Heights).

Actually, it's more than that, says Michael, it's fun. "My success secret is enjoying what you're doing and positive thinking. I'm a happy go lucky person who gives 110 per cent. We hear about the importance of customer service all the time but when you put it into practice, you really reap the benefits."

Caltex Retail Sales Manager David Lesmond agrees that the success story is as simple as that. Michael brings energy to the role, he says, but most importantly he knows his customers and provides great service.

"If you visit his stores he always says hello. It's heartfelt and genuine – you can always tell. He likes interacting with people."

Born and raised in Port Kembla, Michael has had an unusually close relationship with Caltex, having worked his way up – all the way. He began his first job at the Windang site as a bowser boy at the age of 18, offering forecourt service when it was still a "Shop Stop". He moved on to become an apprentice, "did his time" as a mechanic, then purchased the business from the existing franchisee in 1998.

It was something he was keen to do. He believed Caltex gave its franchisees clear direction about where they were heading and how to constantly improve a business. And still does.

"I've embraced the franchisee system and always had a healthy relationship with the company," he says. "We disagree at times of course, but if you know the boundaries and do the best you can in any situation, it's a formula that works well."

Caltex policies, procedures and training courses have taught the couple how to merchandise and constantly improve their business. But the most crucial ingredient is enthusiasm, says David Lesmond.

"Michael is immaculately presented in uniform, energetic, upbeat, always smiling and keen to see a bright future for Caltex, himself and his family through hard work in the franchise. Why wouldn't he be successful?" ●

LEFT: Gary and Kathy Turner (right) chat to Gene Mulder  
RIGHT: Michael and Samantha Rodrigues at Windang





## CALTEX GETS BEHIND STARLIGHT DAY

Caltex people around the country are busy preparing for Starlight Day 2008 on Friday 2 May. This is the biggest fundraising event on the calendar for the Starlight Children's Foundation which runs programs to help brighten the lives of seriously ill children and their families.

Last year Caltex employees and reseller and retail sites raised over \$260,000 on Starlight Day in addition to other highly successful fundraising activities throughout the year. Caltex also makes an annual corporate donation to the Starlight Children's Foundation.

Starlight merchandise is already on sale throughout the Caltex retail network. And with strong participation Caltex franchisees are showing how it's done for Starlight Day with many stores selling out their Starlight merchandise within days and ordering more.

Meanwhile hundreds of Caltex employees across the country have put their hands up to help out on Starlight Day. The distinctive yellow and purple T-shirts of the Caltex sellers will be seen on the streets of Perth, Brisbane, Sydney, Melbourne and Adelaide on 2 May. Other sites are hosting their own Star barbecues, raffles, car washes and other events to support the day.

Help Starlight bring smiles to seriously ill children. To get involved email [starlight@caltex.com.au](mailto:starlight@caltex.com.au) or call Justine Burke on 02 9250 5762.



## REFINERIES RE-RATED TO HIGHER CAPACITY

The Kurnell and Lytton refineries have lifted their official published nameplate refining capacities to reflect the sustained higher throughput of their crude distillation units in 2006/2007.

Kurnell refinery is now officially rated at 135,000 barrels per day (bpd), up from 124,000 bpd and Lytton has increased its official capacity to 109,000 bpd from 105,500 bpd. These new figures were published in the statistical information section in the *Caltex 2007 Annual Report* in March.

The capacity of the refinery is the maximum amount of crude oil that can be processed per operating day, based on at least a month of operating under normal conditions. The refineries' capacity was last officially upgraded in 1999, when Kurnell's was

increased from 116,700 bpd to 124,000 bpd and Lytton's went from 104,000 bpd to 105,500 bpd.

The improvement has been steady, but operationally the refineries had their best performance on record from the completion of the Clean Fuels Project in mid-2006 to October 2007 when production was limited by unplanned shutdowns. The average utilisation rate in 2007 was a record 84% (2006: 78%) and new throughput records were set for the catalytic cracking units at both refineries and the crude distillation units at Kurnell.

It's an even better achievement when the utilisation increase is put in the context of refineries nameplate capacity increasing to 244,000 barrels a day from 230,000 barrels a day.

## PRINTED ANNUAL REPORT BEING REPLACED ONLINE

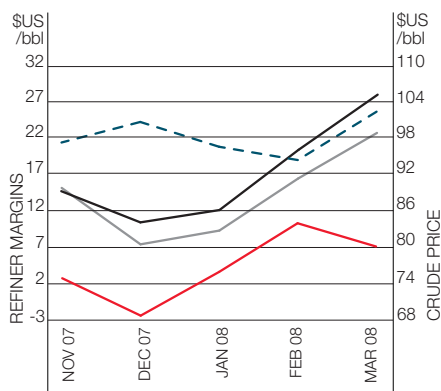
The number of printed Caltex annual reports this year fell dramatically to 7,000 compared with 15,000 the previous year as the company moved the focus to the online version. *The Caltex 2007 Annual Report* was mailed out and went live on the Caltex public web site on 19 March.

Changes to the Corporations Act taking full effect this year meant that companies need only supply a hard copy report to those shareholders who "opt-in". Those who did not choose to receive a hard copy in the mail this year received a notice of meeting and proxy form as well as a letter from Chairman Elizabeth Bryan inviting them to read the report on the Caltex web site.

## SHARE PRICE



## CRUDE OIL PRICE & SINGAPORE REFINER MARGINS



*The Star* is a bimonthly magazine written and produced by Businesswriters & Design for Caltex employees, franchisees and resellers. Story ideas, letters, photographs and other contributions are welcome. For more information or for extra copies of the magazine, please email [editors@businesswriters.com.au](mailto:editors@businesswriters.com.au) or contact *The Star*, c/o Caltex Policy, Public & Government Affairs, Level 24, 2 Market Street, Sydney 2000. Tel: (02) 9250 5000 Fax: (02) 9250 5664. Published by Caltex Australia Petroleum Pty Ltd ABN 17 000 032 128.

### MARGINS

- Petrol (95 ULP) (left axis)
- Jet (left axis)
- Diesel (0.005%) (left axis)
- - - Tapis - crude oil price (right axis)

Tapis is the crude oil produced in Malaysia. The Tapis price is the benchmark for crudes in the region. The refiner margins for petrol, diesel and jet fuel are the differences between the Tapis crude oil price and the ex-refinery price in Singapore for the products.



BALLOON ANIMALS  
COULDN'T BE ANY  
MORE SERIOUS.★



At Starlight, laughter is a big part of what we do to help seriously ill children.

But we can't do it without your help. Money raised this Starlight Day, Friday 2nd May, helps us reach more children like six-year-old Jess, who suffers from a heart condition.

Please visit [starlight.org.au](http://starlight.org.au) or call **1300 727 827** to discover how you can help.



STARLIGHT DAY, 2ND MAY