BASS STRAIT FREIGHT ADJUSTMENT TRUST FUND AMENDMENT BILL 1985

Date Introduced: 8 May 1985
House: House of Representatives
Presented by: Hon. Barry O. Jones, M.P., Minister Representing the Minister for Resources and Energy

Purpose

The Bill amends the Bass Strait Freight Adjustment Trust Fund Act 1984 as a consequence of the introduction of a Partial Allocation Scheme for crude oil and the closure of the Westernport refinery.

Background

The Bass Strait Freight Adjustment Scheme operates on crude oil produced in the Bass Strait. The scheme forms part of the Government's oil policies which include the Crude Oil Allocation Scheme, which allocates Australian crude oil to local refineries in proportion to their market share, and the Import Parity Price (IPP) Scheme.

Under the IPP scheme, the price payable by refineries for local crude is based on the price of Arabian Light Crude with adjustments for quality differences, evaporation, insurance and wharfage cost and freight costs to the refinery nearest the production area. When the Bass Strait Freight Adjustment Scheme was introduced in 1984, the nearest refinery for Bass Strait crude was at Westernport, Victoria. However, this refinery did not have the capacity to accept the entire production of Bass Strait crude and the excess was transported to other Victorian, New South Wales and Queensland refineries. As a result, refineries other than Westernport, faced a transport cost disadvantage which increased as the distance from Westernport increased.

The Bass Strait Freight Adjustment Scheme was introduced to offset this cost disadvantage and resulted from meetings with the refineries in July 1983. At that meeting, the New South Wales and Queensland refineries argued that they should receive concessions to ensure that Bass Strait crude was available to refineries at equal prices. This argument had first been put when the present
Crude Oil Allocation Scheme was introduced in 1970. The Government of the time considered that the best method to deal with this question was to wait for the refinery industry to reach agreement on ways of compensating the northern refineries. Although the problem has been examined a number of times since then, the industry had yet to reach agreement when it met with the Minister in July 1983. The Government's initial reaction to the meeting was to again wait until the industry found an acceptable solution. As it became clear that the refineries were no closer to agreement, the Minister announced, on 9 December 1983, that legislation would be introduced to overcome the transport cost disadvantages facing the northern refineries.

The legislative package introduced in March 1984 comprised a Levy Bill, Collection Bill and the Bass Strait Trust Fund Bill. Under the scheme, a levy, currently 20 cents per barrel, is imposed on all crude produced in Bass Strait. Funds equivalent to the levy collections are paid from Consolidated Revenue to the Trust Fund and are distributed to partially offset freight costs. Before distribution, producers are given a full rebate of levy for crude that is exported.

This Bill amends the Bass Strait Freight Adjustment Trust Fund Act 1984 (the Principal Act) to reflect two recent events affecting the scheme namely, the closure of the Westernport refinery in February 1985, and the announcement of a Partial Allocation Scheme which has operated from 1 January 1985.

Outline

As part of the Partial Allocation Scheme, Bass Strait producers, after meeting their obligations under the Scheme, will be free to export their excess production, or sell it on the open market to Australian refineries. The Bill will grant a full rebate of the freight levy paid on crude that has been sold on the open market in order to continue the policy that the freight levy is not payable on crude allocated outside the scheme. Exported crude currently receives a full rebate of the freight levy.

There has been a major change in the destination of large amounts of Bass Strait crude following the closure of the Westernport refinery in February 1985. So that the adjustment paid will reflect the new movements of crude, adjustment payments will be based on movements in the most recent 6 month period instead of the 30 month period currently used.
The Bill also contains amendments to the Principal Act consequential to amendments of the Bass Strait Freight Adjustment Levy Act 1984 introduced at the same time as this Bill.

Main Provisions

The rebate of freight levy for crude sold outside the Partial Allocation Scheme is introduced by clause 4 of the Bill which amends section 6 of the Principal Act.

The change to the method of calculating adjustment payments is effected by clauses 3 and 7 of the Bill which amends sections 3 and 9 respectively of the Principal Act.

Amendments consequential to changes in the Bass Strait Freight Adjustment Levy Act 1984 are contained in clause 5 which amends section 7 of the Principal Act.

For further information, if required, contact:

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