LIQUEFIED PETROLEUM GAS (GRANTS) AMENDMENT BILL 1984

Date Introduced: 2 May 1984
House: House of Representatives
Presented by: Hon. J.J. Brown, M.P., Minister Assisting the Minister for Industry and Commerce

Short Digest of Bill

Purpose

To amend the Liquefied Petroleum Gas (Grants) Act 1980 by extending the operation of the Liquefied Petroleum Gas (LPG) subsidy scheme in modified form to 31 March 1987.

Background

The Liquefied Petroleum Gas (Grants) Act 1980 provided grants to the States for the purpose of making subsidy payments to registered LPG distributors. Subsidy payments were $80 per tonne for the three years preceding 29 March 1984 and are currently $20.31 for the six month period to 30 September 1984. The purpose of the subsidy was to alleviate the effects of sharp price increases by reducing the price paid for LPG by householders, non-profit residential type institutions and schools for a period of three years. Eligibility for the subsidy was subsequently expanded by the Liquefied Petroleum Gas (Grants) Amendment Act 1980 to include commercial and traditional industrial users of LPG in areas not served by natural gas and then restricted by the Liquefied Petroleum Gas (Grants) Act 1982 which limited most industrial users to subsidy payments on consumption levels less than 1,000 tonnes per annum. The Liquefied Petroleum Gas (Grants) Act 1982 also extended the period of subsidy operation for an additional 12 months until 28 March 1984.

The original problem of significant LPG price fluctuations which characterised the industry prior to the introduction of the LPG subsidy has continued. The wholesale price of LPG rose by 43 per cent in the twelve months prior to 1 January 1983, however, this increase was followed by a reduction of 20 per cent to apply from 28 March 1984.[1] In future, fluctuations in LPG prices should be moderated by the use of a price formula which averages the monthly export parity price of LPG from 1 April 1984 until the month preceding the new price date. Increases
calculated from the above formula are also not allowed to exceed increases in the fuel and light component of the CPI for the six months preceding the adjustment date.

The present Bill extends the LPG subsidy scheme to 31 March 1987 in modified form and is intended to reduce the impact of future LPG price increases. The rate of subsidy will be calculated utilising a formula based upon the LPG wholesale price set by the Minister for Resources and Energy. Basically the formula is designed so that the theoretical consumer price (wholesale price less subsidy) increases no more quickly than the fuel and light component of the CPI. Subsidy eligibility arrangements remain unchanged with petrochemical, mining of oil and gas, petroleum refining and automotive uses of LPG remaining ineligible for subsidy.

Main Provisions

Clause 3 amends the Principal Act by increasing the period of operation by three years to 31 March 1987.

Clause 4 stipulates when and where the Minister should publish the subsidy rates.

Clause 5 inserts a new section 6A into the Principal Act which stipulates the applicable subsidy rate. A subsidy rate of $80.00 per tonne is to apply to LPG sold on or before 28 March 1984 and a rate of $20.31 per tonne is applied to LPG sold during the period 29 March 1984 and 30 September 1984. LPG sold from 1 October 1984 is to be calculated utilising a formula which stipulates a specific relationship between the approved LPG wholesale price, the previously approved wholesale price and subsidy rate (operating immediately before the period concerned) and a modified version of the index number for the fuel and light component of the All Groups Consumer Price Index number.

Sub-section 6A(3) provides for the Minister to determine the wholesale price and sub-section 6A(4) stipulates the factors to be taken into account by the Minister when determining the wholesale price.

Certain determinations by the Minister are to be notified in the Gazette and tabled in both Houses of Parliament and are subject to disallowance.

Clause 6 provides a formula which takes account of the new subsidy rate ascertainment detailed in clause 5 and allows the subsidy applicable to reticulated gas to be calculated.
Clause 7 stipulates the duration of the six consumption periods which end on 31 March 1987 and designates the quantities of gas which are eligible for subsidy.

For further information, if required, contact:

15 May 1984

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References
