CUSTOMS TARIFF (STAND-BY DUTIES) BILL 1984

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

Purpose

To provide an administrative procedure for imposing tariffs on crude oil and certain products in circumstances of "underlifting" (insufficient production) of Australian crude oil as a result of insufficient purchases by domestic refiners.

Background

Since crude oil has been produced in Australia it has variously been priced at, below or above competing crude oil imports. There have sometimes been price incentives for refiners to take up domestically produced crude. At other times Australian crude has been uncompetitive. Accordingly the government has operated a crude oil allocation scheme to ensure domestic crude is taken up by Australian refiners and the burdens (or benefits) on different refiners are equitably distributed.

In more recent times the allocation scheme has come under pressure as the capacity to produce crude oil has increased relative to Australia's needs. In order to produce the required product mix in Australia, refiners need to blend Australian crude with a minimum proportion of heavier imported crudes. However, that mix could be altered somewhat by changing refinery techniques.

Some relief to the problem of taking up Australian crude was offered last year in the announcement that no more than 18 million barrels from the newly producing Fortescue field would be supplied for domestic consumption. The excess production from Fortescue (above 18 million barrels) has been allowed to be sold overseas. However, only spot sales are permitted implying that the producers (Esso/BHP) are not permitted to commit Australian crude for future export sales under any contractual arrangement.
The present Bill allows the Minister for Resources and Energy to specify a target for the absorption of Australian crude oil. If that target does not look like being met the Minister for Industry and Commerce may declare a tariff or higher tariff on imported crude and certain petroleum products. A maximum tariff rate of 3 cents/litre is allowed. The effect of this is to impose a financial penalty on refiners if they do not meet the absorption target.

Main Provisions

The Bill, in clause 4, specifies circumstances in which the Minister responsible (the Minister for Industry and Commerce) may declare new tariff rates applicable to four specified classifications in the customs tariff. Broadly, these items cover crude petroleum and some petroleum products, such as gasoline other than that used for internal combustion or aircraft engines. Certain goods are exempt, including refined final petroleum products, heavy petroleum products not generally available from Australian crudes, and naphtha, a feedstock for the petrochemical industry.

The Minister for Resources and Energy may under paragraph 4(a) publish a notice in the Gazette specifying a rate of absorption in a specified period for Australian oils of a type which, if imported, would fall within the specified tariff classifications.

At least 2 months later where the Minister for Resources and Energy informs the Minister for Industry and Commerce that he has formed the view that the rate is not being achieved by Australian oil refineries, the Minister for Industry and Commerce may make a declaration, following the procedure applicable to regulations, substituting new tariff rates.

Under clause 7, these rates are not to impose increases of greater than $0.03 per litre, and are not to increase duty applicable to "exempt oils" at all. The limit is approximately equal to $4.767/barrel.

Clause 5 provides for variation of duty rates, and clause 6 for revocation of declarations.

For further information, if required, contact:

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