Date Introduced: 3 November 1983
House: House of Representatives
Minister Assisting the Minister for Industry and Commerce

Short Digest of Bill

Purpose

To amend the Petroleum Products Freight Subsidy Scheme, as proposed in the Budget Speech, to remove power kerosene from the scheme, alter Northern Territory provisions following self-government, and vary payment and price calculation methods.

Background

The Petroleum Products Freight Subsidy Scheme provides a subsidy to wholesale fuel distributors on the cost of freighting transport fuels to non-metropolitan areas. The intention is to reduce the discrepancy between fuel prices in the country and the capital cities. However, retail fuel sellers are free to set their prices subject, of course, to any State price controls.

Alteration to the Petroleum Products Freight Subsidy Scheme to remove power kerosene and to base calculations on the nearest actual retail site rather than place of use were announced in the Budget Speech and are estimated to save $2 million in 1983-84[1].

The States Grants (Petroleum Products) Act 1965 authorized introduction of a subsidy scheme to limit the price of motor spirit and some other transport fuels to not more than 3.3 cents per gallon above capital city prices. This scheme was considered by the Coombs Expenditure Review in 1973. The Petroleum Products Subsidy Scheme was then costing about $26 million per year. Although the scheme was intended to reduce rural costs, especially in remote areas, the largest payouts subsidised inland cities such as Canberra, Broken Hill and Toowoomba. The average subsidy was 2.5 cents per gallon[2]. A restriction or termination of the program was recommended and realized by ministerial action discontinuing the scheme in 1974.
The scheme was reintroduced, as the Petroleum Products Freight Subsidy Scheme, by the States Grants (Petroleum Products) Amendment Act 1978. The Minister was given wide discretion to formulate a scheme, including a system of registration and undertakings by fuel distributors. Complementary state legislation, for distribution of purposive Commonwealth grants to finance the scheme, remained in place from 1973 but required amendment.

Subsidy rates for some 8,000 locations throughout Australia were published by the Minister, calculated as the excess freight differential over metropolitan sites, less 0.9 cents per litre (4 cents per gallon) to be borne by the consumer. Subsidy rate variations are, like regulations, tabled in the Parliament.

On 9 April 1980, the scheme was modified to reduce the margin to 0.44 cents per litre (2 cents per gallon), over which subsidy became payable[3]. The present rate is, since 1 June 1983, 1.1 cents per litre.

The scheme, subsidy schedules, and later variations by the Minister, are published in the Gazette.

Changes to the scheme are expected to save $4.2 million in a full year. A total outlay of $100.6 million is expected in 1983-84[4].

Main Provisions

The Bill amends the States Grants (Petroleum Products) Act 1965 in two principal respects - to enable subsidy rates to be calculated with reference to the nearest retail site, and to remove power kerosene from the scope of the subsidy.

By clause 5's amendments, the scheme may specify a basis for calculation of subsidy payable at places not in the schedule, or later deleted administratively from the schedule.

Sub-clause 4(1) and clause 10 remove power kerosene from the scheme. Both these changes have effect from 1 January 1984.

Changes to accommodate self-government in the Northern Territory are set out in clause 3 and sub-clause
4(2) and treat the Territory as a State. The provisions are to commence on a date fixed by Proclamation.

For further information, if required, contact:

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References
