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States Grants (Petroleum Products) Amendment Bill 1978

Date Introduced: 8 March 1978
House: House of Representatives
Presented by: Hon. W.C. Fife, M.P.,
Minister for Business and Consumer Affairs

Short Digest of Bill

Purpose

To alter the existing legislation under which the Commonwealth can subsidise the cost of transporting certain petroleum products to country areas throughout Australia in preparation for the reintroduction of the subsidy.

Background

The States Grants (Petroleum Products) Act 1965 provided the legislative machinery in conjunction with complementary State legislation for the Petroleum Products Subsidy Scheme which commenced in 1965. Payments were also made in respect of products sold in the N.T. and the A.C.T.

The scheme ensured, by means of subsidy payments to oil companies, that wholesale prices for selected fuels intended to be used mainly for transport (motor spirit, power kerosene, automotive distillate, aviation gas and aviation turbine fuel), did not exceed by more than a specified margin, the capital city wholesale prices. From the scheme's inception in 1965 until 1973, the margin was 3.3 cents per gallon. The Labor Government announced in the 1973-74 Budget that the margin would be increased to 5 cents per gallon. On 1 August 1974, the subsidy was terminated by Ministerial action, largely based on criticism in the 1973 Coombs Continuing Expenditures Review (p.227). In 1972-73 (the last year of the 3.3 cents per gallon margin), the Commonwealth spent $25.7m. on the scheme.

This legislation will be the first stage in the implementation of the Government's election promise of November 1977 to introduce a new Petroleum Products Subsidy Scheme. The scheme was to reduce country fuel prices initially to less than one cent per litre (4 cents per gallon) above normal city prices, and over the next 3 years, the margin would be reduced to less than half a cent per litre (2 cents per gallon). The Government's estimate of the cost was around $10m.
in 1977-78, $31m. in 1978-79 and around $50m. in the three years.

The Opposition also announced during the election campaign a plan to contribute to a subsidy scheme, on a 1 for 1 basis with the States, whereby country petrol prices would be reduced to within 2 cents per litre of metropolitan prices. The Opposition spokesman estimated the cost at $67m. over 3 years.

The new scheme will benefit all users (including farmers, other country dwellers and country visitors) of eligible products purchased at certain country locations.

Although the scheme, like the previous one, is aimed at country users of transport fuel, a large proportion of the payments will be made to some major inland population centres such as Canberra and Broken Hill.

If the 'city-country' margin remains constant at 4 cents per gallon, then the total subsidy payments will rise each year as transport costs increase and more country areas find their transport costs exceeding the margin. Like the previous scheme, the scheme will tend to encourage the substitution of subsidised products for non-subsidised products, for example, in the generation of power.

The principal Act provides for payments by the Commonwealth reimbursing the States for payments to registered distributors of eligible petroleum products in accordance with a scheme formulated by the Minister in relation to each State (sections 3, 5). The distributors (such as oil companies) must be registered by the Minister and agree to sell subsidised products at a price that passes on to the purchaser the full benefit of the subsidy received (sub-section 6(3) and (4)). The scheme shall contain a schedule specifying rates of subsidy at specified locations (sub-section 6(6)).

This Bill does not alter the basic provisions of the existing Act; the subsidies will be reactivated by new schemes in relation to each State.

According to the Minister's second reading speech, the subsidy rates will be calculated as the excess over 4 cents per gallon of the freight costs between the refining port or seaboard terminal and the country sale point. The cost figures used are to be approved by the Prices Justification Tribunal.

The new scheme will come into effect after the required amendments to complementary State legislation.

Provisions

The Bill contains an amendment to ensure that, while the Minister retains the authority to amend the scheme, subject to
disallowance by Parliament, he now requires the authority of each House of Parliament to revoke or terminate the scheme (sub-clause 3(2)).

Other amendments allow the Minister to delegate powers in relation to determination of eligible products and registration of distributors (sub-clause 4(3)) and provide for appeals (sub-clause 4(4)).