Date Introduced: 15 August 1978
House: House of Representatives
Presented by: Hon. W. Fife, M.P., Minister for Business and Consumer Affairs

Short Digest of Bill

Purpose

To provide rebates of excise duty for certain producers of Australian crude oil as one of the measures necessary to implement the policy announced in the 1978-79 Budget Speech of increasing the excise duty on oil by an amount which, net of rebate, brings all oil immediately up to import price parity.

Background

The first step in the direction of import parity pricing was made in the announcement on 14 September 1975 of the then Prime Minister, Hon. E.G. Whitlam, introducing import parity price for new discoveries of oil, with small increases for oil from existing fields, varying according to production costs. The price of Gippsland-Bass Strait oil was brought to $2.33 per barrel. Just prior to this, the 1975-76 Budget introduced a levy of $2 per barrel on production of crude oil, condensate and naturally occurring liquefied gas, implemented by an amendment to the Excise Tariff Act, item 17(A)(2).


In the 1976-77 Budget Speech, the removal of the crude oil levy for oil discovered after 17 August 1976 was announced. The next step was taken with the policy announced in the 1977-78 Budget Speech based essentially on the I.A.C. recommendations. The proportion of oil from existing fields priced at import parity was to be increased
to 10% as from 16 August 1977, mounting to 20, 35 and 50% respectively in the 3 subsequent years, and reaching 100% as soon as possible thereafter. At the same time, an increase from $2 to $3 per barrel in the levy on crude oil was announced.

The new policy announced in the 1978-79 Budget Speech lifts the price to refineries of oil from existing fields to import parity immediately. The price is raised by means of an increase in the levy from about $3 to $10 per barrel, effective from 16 August 1978, with variable rebates so that the producers' returns are left unchanged and the proceeds of the levy go to the government.

Present prices to refiners will be lifted by an increase in excise duty which, net of rebate, is the amount required to bring below-parity prices up to import parity. Since there are presently several categories of oil with different prices, a different net amount of duty is required for each category. This is to be achieved through setting a single rate of duty in the Excise Tariff Act 1921, (introduced in Excise Tariff Proposals No. 3 (1978)), with different rates of rebate for each category provided by this amendment to the Excise Act 1901.

The previous duty of $18.90 per kilolitre (about $3 per barrel) is to be increased to $64.53 per kl (about $10 per barrel). This is the rate required to raise the presently lowest priced oil (from Bass Strait) to import parity i.e. the highest duty rate payable for which no rebate will be allowed. Other oil qualifies for a rebate as set out in the Provisions below. In future years as the proportion of oil that had been guaranteed full import parity price rises in line with the 1977 policy, the duty collections will fall and the producers' returns increase.

The increase in duty is estimated to raise revenue of about $676 million in 1978-79. The Government estimated that the rise in petrol prices would be about 3-1/2 cents per litre, but oil companies have subsequently indicated that the rise is more likely to be under 3 cents.

Provisions

Clause 2 deems the Act to have come into operation on 16 August 1978.

Clause 3 inserts new Part VII C (ss77L-77P) in the Principal Act. Section 77L provides for the Minister for National Development to determine, from time to time, for the purpose of calculating the rebate, the following prices:
(1) the no-rebate price of oil, i.e. the price payable to the producer by refiners (including excise duty) if no rebate were allowed, and

(2) the import parity price.

Section 77M provides for rebates of excise duty in cases where the no-rebate price exceeds the import parity price, and for the rates of rebate to be:

(a) where the no-rebate price exceeds the import parity price by at least $18.90 per kl. (i.e. present parity price oil), an amount equal to the difference between the new rate of excise, i.e. $64.53, and the previous rate, i.e. $18.90, i.e. a rebate of $45.63 per kl. which is the same as the proposed duty increase so that no net increase results. This applies at present to the first 6 million barrels or 20%, whichever is greatest, from Bass Strait and Barrow Island oil, and all from Moonie, being under 6m. barrels.

(b) where the no-rebate price exceeds import parity by less than $18.90 per kl., the amount by which the no-rebate price exceeds import parity. This gives a rebate of $3.14 per kl. for oil from Barrow Island presently sold at a price below import parity but differing from Bass Strait due to transport differences.

Section 77P provides for the making of regulations relating to payment of rebates.

Clause 4 provides for the first determinations of prices under s.77L to operate from 16 August 1978.

Finance, Industries, Trade & Development Group

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