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PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

FUEL SALES GRANTS BILL 2000

**PRODUCT GRANTS AND BENEFITS
ADMINISTRATION BILL 2000**

**FUEL SALES GRANTS (CONSEQUENTIAL
AMENDMENTS) BILL 2000**

Second Reading

SPEECH

Wednesday, 10 May 2000

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Fitzgibbon, Joel, MP

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Mr FITZGIBBON (Hunter) (11.08 am)—I rise in support of the amendment moved by the member for Wills to the fuel grants bills. Having listened to the contribution of the member for Groom, I have to say that he really is living in denial—he is totally deluding himself. I could not help but watch the expression on his face as he stood there trying to sell this Fuel Sales Grants Scheme as a positive measure for people living in rural and regional Australia. He got fairly political, and no doubt I will be further into my contribution, but let us take a non-political view of this for now. Let us take a couple of views from independent commentators, beginning with Terry McCrann, who writes for the *Daily Telegraph*. Let us see what he says about the impact of the GST on petrol:

John Howard and Peter Costello are now exposed as the biggest GST cheats of them all.

They are putting in place a vicious hidden tax that will rip hundreds of millions—and indeed over time, billions—of dollars from motorists.

I'm not talking about the GST itself, bad enough as that might be, but the vicious GST version of "bracket creep".

Simply, the way the excise tax on petrol is increased every six months in line with CPI inflation. And then the GST on petrol will increase on that excise hike.

This is a tax on a tax, and that has been well documented by a number of commentators. On 1 July, when the GST will be introduced, inflation will rise, and we now have the government conceding that the inflationary rise will be well above four per cent. What happens when the CPI rises? Petrol excise will rise. And then what will happen to the GST, given that the GST falls on top of the excise? The GST component of the petrol tax will rise as well. It is a simple fact that by July next year motorists in this country will be spending at least \$600 million more on petrol excise than they are now. The fuel grants scheme legislation that we have before us today, which represents compensation for that impact, has a total value over four years of \$500 million, and yet by July next year motorists—both city and country—will have been slugged an additional \$600 million for petrol excise. We know that with the introduction of the GST there will be a one-off initial inflationary impact; but, if we accept that inflation over the next eight years will hold at 2.5 per cent a year, by the year 2008 motorists will be paying an additional \$1 billion each year in petrol excise. So it will be \$1 billion more in eight years time, yet the government wants us to accept today that the \$500 million it is offering over the next four years is going to compensate motorists for that impact. I have talked about independent commentators—and I do not usually quote *Bills Digest* from the library but I think it is important to do so today. Here is the concluding comment of the author of the *Bills Digest* on this package:

With the relevantly small amounts per litre to be provided under the scheme in relation to the total and, more importantly, the current variations, in the price of petrol it is difficult to see it having more than a marginal effect on the price a motorist pays for petrol.

Remember what I said before: first of all, it is an additional billion dollar impost on motorists but with compensation of \$500 million over four years. But the commentator makes a clear point that there is no guarantee whatsoever that this grant is going to be passed on to the consumer. The member for Groom tells us that everything is going to be all right on the night because the ACCC is going to be policing the scheme. Allan Fels and his team are going to be the busiest persons in this universe, I suspect, after 1 July next year. John Howard, the Prime Minister, tells us, 'Don't worry about any of the ills or the adverse effects within the GST,' and Joe Hockey, the Minister for Financial Services and Regulation, cannot explain them in the parliament, but Allan Fels and his team are going to sort it out! Let us go back to the independent commentator, who says:

However, whether prices have been reduced at the pump by the amount of the grant will depend on prices charged throughout the supply chain which could involve a number of decision makers. For example, if a wholesaler decides to increase their price, or reduce a current discount, to a particular outlet in an area, or all outlets in an area, it will be very difficult, in the absence of any contrary evidence, to determine that this is due to the grant being offset. While the ACCC may be successful in determining where prices have increased to make a windfall gain of the grant amount, the matter must

be in doubt given the current relatively much greater variations in price. With regional prices currently varying from the metropolitan price by large amounts, for example, -0.2c in Berry to 7.9 c in Batemans Bay, ensuring that the grant is not exploited in the future would appear to be a difficult task.

They are not my words; they are the words of an independent commentator. A GST budget was brought down last night that reflects the way in which this government has recklessly squandered what should have been a healthy budget surplus, given the consecutive years of economic growth we have enjoyed in this country. Why didn't we have a healthy budget surplus last night? Because they have squandered all that money in their attempt to compensate people for the adverse consequences of the GST. There are many examples of that, but there could not be a better example than the one before the parliament today. As our independent commentator from the library has implied, half a billion dollars of taxpayers' money will, at the end of the day, go straight into the pockets of the major oil companies because there is no way that the ACCC is going to be able to determine whether or not there is exploitation of this grants scheme. There is not a chance in the world.

Let us have a look at the record of the major oil companies on these issues. Would you trust them, Mr Deputy Speaker? I suspect not. Why is it that we have city-country price gaps of up to 13c a litre? It cannot be explained by transport costs alone. It cannot be explained by adding volume throughputs to the equation. It cannot even be explained by adding the non-forecourt sales of those service stations to the equation. The major oil companies take excessive profits wherever and whenever they can get away with it. They do that on a regular basis, and country motorists are usually the ones that wear the main brunt of that. This grants scheme is going to do nothing to improve that situation. It is just going to line the pockets of the major oil companies. So you can just about say now that there is no compensation for motorists but that, by 2008, \$1 billion of extra tax will be imposed upon them at the petrol pump.

One of the features of this scheme is the way it sets out divisions around our continent. We do not have any of the detail, but we understand that if you live in X area you will get a 2c a litre grant and if you live in a more remote area you will get a 3c per litre grant. We do not know where those areas are. We have not seen the maps. It took a long time to secure the maps for the diesel rebate and the conurbations involved, and we are yet to see the maps for petrol. In a recent interview on ABC Radio in Darwin, Senator Grant Tambling told the interviewer that he expected the Northern Territory to be one zone. Notwithstanding the fact that prices in Darwin and in places like Tennant Creek can vary by 5c a litre or more, he is going to make the Northern Territory one zone. This is the debacle we see flowing out of this ridiculous proposal.

But how did this all come about? The Prime Minister made a promise, which he has repeated in this place and in other places on a number of occasions, that the GST would not cause petrol prices to rise. When he initially made that commitment, I think he was quite genuine. I think he simply misunderstood the processes. He thought at the time that you could take 7c a litre off the excise and put a 10 per cent GST on it and that there would be no change. The mistake he made is that he struck up the 7c reduction rate when fuel prices below 77c were the norm. As you know, in more recent times fuel prices in the 80c and 90c ranges are more commonplace. As simple mathematics dictate, if you take off 7c and put 10 per cent on, the price will not rise up to a point of 70c a litre. But prices beyond 70c per litre, with 7c off and 10 per cent on, will result in an increase in the price of fuel. So the Prime Minister has a dilemma. He can maybe take another cent off the excise and make it 8c, but of course reducing excise costs him an extraordinary amount of revenue each time he does so. In effect, that further exacerbates the city-country gap because of the constant higher prices in the country. The arithmetic is quite simple.

So where does he find himself now? He cannot take the excise any lower. That is not palatable as it is too much a cost to revenue and it exacerbates the city-country gap. So he says, 'We'll have a grants scheme. We'll have a scheme that directly rebates motorists and compensates them for that city-country differential.' That is a ridiculous squandering of taxpayers' money—we will not be opposing it; that would be silly of us: we know that this thing will not work—but we are not going to have the government going back to the electorate and saying, 'The GST wouldn't have caused petrol prices to rise if only the Labor Party and the Democrats had allowed our grants scheme through the parliament.' We are not that silly. We will let them have their scheme, and we will let the Australian motorists see for themselves how ridiculous it is and how it will fail to prevent a rise in petrol prices as a result of the introduction of the GST.

I want to go back to the issue of the major oil companies. I said that you cannot trust the major oil companies to do the right thing, and I stand by that. This is an industry run by an oligopoly. It is a highly vertically integrated industry, where the major oil companies have control over prices all the way from the refinery to the bowser.

Malcolm Fraser tried to break that up in 1980 with the introduction of the Petroleum Retail Marketing Sites Act, an act which is still in force which restricts the number of service stations the major oil companies can run directly to 420 collectively. It has been an effective act of parliament. It is also an act of parliament which the government in recent months have been trying to repeal. Why? Because, rather than attempt to curtail the power of the major oil companies, they want to give them unfettered power. They want to give them more power to control the price of petrol all the way from the refinery to the bowser.

In addition to that, in the interim the major oil companies have been circumventing the sites act and attempting to grab for themselves more power by putting in place a system known as multisite franchising, where one franchisee, usually an ex-employee of the company, has control of up to 20 sites. If they control him, they control 20 sites effectively. More interesting than that is an extraordinary admission in the recent Senate inquiry into the private member's bill I have before the parliament with respect to petroleum issues. In regard to the use of multisite franchises, BP conceded and admitted—I think it was a mistake on their part; I do not think that they had intended to—that they are now franchising service stations giving the franchisee the option of running the forecourt area, that is the bowser, the actual sale of fuel, on a commission agency basis. Commission agency, which is effectively the same as a company run service station, counts as a site under the sites act. If a company is allowed to have 100 sites, counted under those sites are those that they directly run themselves and those that they operate on commission agency. But BP are allowing franchisees to run their forecourt area on a commission basis yet are not counting those franchisees under the sites act. They are illegally circumventing the sites act, and they have admitted so in that Senate inquiry. Mr Deputy Speaker, that gives you some measure of the extent to which you can trust the major oil companies to pass on this rebate to the Australian consumer.

What should the government do? If the government wants to do something about the city-country price differential, it should adopt the principles contained within my bill. It does not have to accept the bill—I concede that governments do not pick up bills of opposition members—but what it can do is embrace the principles contained within my bill and get on with introducing real wholesale competition for the first time in this country. The ACCC chairman, Professor Fels, supports those principles. Those principles are also supported by the Motor Traders Association of Australia and by the National Farmers Federation. There is only one group of people in this country that does not support those principles, and that is the major oil companies themselves. Of course, the government, both now and historically, is in the pocket of the major oil companies and it is going to give the companies exactly what they want. It is not going to support a bill or the principles contained within a bill that introduces competition into the market for the first time. It wants to ensure that the major oil companies maintain the cosy arrangements they have historically enjoyed in this country. It thinks it is an extraordinary thing to say that exclusive contractual ties between a franchisee and a major oil company should be subject to the competition test under the Trade Practices Act. It says, 'What a terrible thing to do.' We have heard Senator Minchin in the Senate criticise my bill, comparing allowing franchisees an ability to shop around for a homogenous product, which is fuel, with allowing Kentucky Fried Chicken to sell McDonald's hamburgers, or some such rot. What a ridiculous comparison. Fuel is a homogenous product. I am sure you, Mr Deputy Speaker, fill your car at BP and two days later refill at Shell. You are mixing the fuel. There is no such thing as 'Put a tiger in your tank' anymore; it is a homogenous product. There is no reason why those franchisees should be tied through exclusive contracts to one major oil company.

The bill we have before us today is a farce. It will not work. If it did work, it would give motorists \$500 million over four years, but the GST will take \$1 billion over eight years. But it is not going to work, so there is no doubt that the motorist is going to be the big loser as a result of the GST. Petrol up, cigarettes up and beer up. These are three very important issues, of course, in the electorates of all members in this place. My advice to the government is to put ideological obsession behind them. If they really want to do something for country motorists, they should get in and support the principles contained within my bill and get on with breaking up the power of the major oil companies, and for the first time give country motorists a fighting chance.