



Speech by

Hon. D. HAMILL

MEMBER FOR IPSWICH

Hansard 20 June 2000

MINISTERIAL STATEMENT

Fuel Subsidy Scheme

Hon. D. J. HAMILL (Ipswich—ALP) (Treasurer) (9.52 a.m.), by leave: I rise to inform the House about the Beattie Government's efforts to address significant compliance issues associated with the failed Borbidge Government fuel subsidy scheme.

Opposition members interjected.

Mr HAMILL: Well may those opposite laugh, because repeatedly we have raised our concerns about this flawed scheme, which was designed by the previous Government. Its greatest achievement is that it has delivered millions of Queensland dollars across the border to subsidise New South Wales and Victorian fuel prices. The difficulties associated with enforcement of this scheme have been highlighted in recent weeks as the Government has sought to ensure that Queenslanders receive every cent of the fuel subsidy paid by the Queensland Government.

As honourable members would be aware, the existing fuel subsidy scheme was established in 1997 after the Commonwealth established a uniform fuel tax or excise surcharge on all States and Territories. Under the existing scheme, subsidies have been paid at the time the fuel is purchased rather than when it is sold to the motorist. This has made it relatively simple for the subsidy to be eroded before it reaches the motorist through cross-border trade or through the complex web of arrangements between wholesalers, agents, distributors and retailers.

As the Premier and I have announced, the Government has commenced detailed discussions with industry about retail-based options which will guarantee that the 8.354c per litre subsidy is actually received in full by Queensland motorists. So flawed is the current scheme that between \$60m and \$100m annually is being siphoned interstate to effectively subsidise fuel prices in New South Wales and Victoria.

There is no doubt that considerable cross-border trade is currently undertaken and no doubt that it is lucrative for those unscrupulous operators. The oil companies and the Road Transport Association of Queensland confirmed this to both the Premier and me in recent discussions.

Honourable members should listen to this to understand how good the scheme is. As the RTAQ points out, fuel can be transported not just to New South Wales but also to Victoria for only 4c per litre. That means these fuel pirates can keep the remainder of the subsidy—that is, 4.35c per litre—as profit. That is profit of 4.35c per litre in an industry where profit margins are as tight as 1c or 2c per litre.

Queenslanders are entitled to ask why the Government has not stopped this occurring through more stringent enforcement practices.

Mr Seeney: Why haven't you?

Mr HAMILL: I will tell the honourable member why. There are significant impediments to the effective enforcement of the flawed Borbidge Government scheme, some of them legal and some of them purely practical.

For constitutional reasons, there are some cases where interstate customers are entitled to subsidies under the bulk end users scheme. As a result, the monitoring of legitimate and illegitimate cross-border sales is so difficult as to be practically impossible without an army of enforcement agents permanently stationed at petrol stations throughout New South Wales and Victoria. However,

Queensland has pursued illegal sales wherever possible. Although 167 investigations have been undertaken since 1998, just \$16.8m in illegally received subsidies have been recovered. That is not a very good strike rate.

Unfortunately, the fuel piracy which occurs under the flawed Borbidge Government scheme will increase rather than decrease after 1 July. Industry experts and the Australian Competition and Consumer Commission have confirmed this, recognising that the off-road diesel subsidy scheme being established by the Commonwealth will be an enforcement nightmare. Together, the Commonwealth's scheme and Queensland's on-road diesel subsidy will be prone to double dipping.

The existing scheme is so flawed one could drive a truck through it. In fact people are. Under this scheme people are driving B-double fuel tankers loaded with cheap Queensland fuel all the way through New South Wales and Victoria. That is why it is so important that the Beattie Government introduces a subsidy scheme which actually gets the fuel benefit to Queensland motorists.

Over the coming weeks we will be undertaking detailed discussions with the key stakeholders about the best model to achieve just that. We have listened to views of Queenslanders and we will construct a reformed scheme which delivers what Queenslanders want: a fuel subsidy directly at the bowser; a stop to cross-border rorts; and a scheme that ensures Queensland motorists receive the full 8.354c per litre subsidy.
