



Speech by

Hon. D. HAMILL

MEMBER FOR IPSWICH

Hansard 4 October 2000

FUEL SUBSIDY AMENDMENT BILL

Hon. D. J. HAMILL (Ipswich—ALP) (Treasurer) (11.53 a.m.): I move—

"That the Bill be now read a second time."

The Fuel Subsidy Amendment Bill 2000 implements vital reforms to ensure the continued effectiveness and viability of Queensland's unique fuel subsidy scheme. The current scheme had its genesis in a 1997 High Court decision which invalidated States' licensing fees. To ensure Queensland motorists did not pay any part of the Commonwealth excise surcharge, which was nationally imposed as a result, a subsidy scheme was developed to return this new tax to Queensland motorists.

The current fuel subsidy scheme, which delivers the subsidy to fuel sellers who in turn pass on the benefit to licensees, has proved problematic since its inception. In particular, as the subsidy is paid at the point of sale based on intended usage, the State is heavily exposed to illegal trade in fuel. In an industry where margins are low, the 8.354c per litre price differential provides a strong incentive for those seeking to profit from the subsidy to transport the fuel interstate for resale. This means that Queensland taxpayers are effectively subsidising interstate fuel consumers.

In addition, with the Commonwealth's assumption of responsibility for off-road diesel subsidies on 1 July 2000, the payment of subsidies through fuel sellers presents further difficulties in ensuring that the State does not fund off-road diesel use. For instance, when buying fuel the purchaser cannot always determine whether the diesel will be used on road or off road. Diesel purchasers must therefore currently estimate the proportion of the diesel purchased that will be used on road and then later account to the Office of State Revenue for any overpayment. This creates administrative complexities for fuel sellers, consumers and the Office of State Revenue. However, properly addressing these issues under the current scheme is not possible and any changes would be merely bandaid measures.

In recognition of the scheme's deficiencies, a fuel task force was established to review the current arrangements and to develop proposals for the scheme's reform to ensure that it operates effectively to deliver subsidised fuel only to those entitled to it. The task force was comprised of representatives from the Motor Trades Association of Queensland, RACQ, Australian Institute of Petroleum, Local Government Association, Queensland Trucking Association, Boating Industry Association, Queensland Farmers Federation, Agforce, Canegrowers, Queensland Chamber of Commerce and Industry, the Taxi Council and Bus Industry Council.

The objective of the task force's review was to develop a scheme which would provide the subsidy directly at the bowser, stop abuse of the scheme through illegal interstate trade and ensure that motorists receive the full subsidy benefit. The Fuel Subsidy Amendment Bill 2000 delivers these reforms. The key element of the new scheme is a change in the point of subsidy delivery from payment at the time of sale to payment by the Office of State Revenue directly to licensees. This is the key plank in ensuring that compliance with the scheme can be properly monitored and enforced.

The promotion of compliance and vigilance will require an increased level of administrative activity principally because there will be more claimants. However, the savings arising from improving the scheme's operation and addressing scheme abuse will be vastly greater than any costs. Under the revised retail arrangements that will start on 1 December 2000, the subsidy will be paid directly to

retailers who sell fuel in retail quantities from a fixed site in Queensland. The maximum amount of fuel that can be purchased from a retail site at the subsidised rate under the new scheme will be 2,000 litres.

To address incorrect subsidy claims for off-road diesel, purchasers will be required to advise the retailer where diesel is to be used off road and the retailer will then sell the diesel at the unsubsidised price regardless of the volume purchased. A repayment obligation will continue where diesel, which has been purchased at the subsidised rate from a retailer, is then used off road. In addition, a subsidy will only be payable for sales by marinas if the vessel is registered as a recreational ship and records of the registration details are kept by the marine retailer.

To ensure that the value of the subsidy to fuel consumers is not eroded by administration costs, retailers will be paid the subsidy monthly in advance of making the retail sales. Retailers will receive a subsidy of 8.4c per litre but will continue to be required to pass on a benefit of 8.354c per litre to their retail customers. This administration fee, together with a one-off payment of \$200 to assist with any systems costs, has been welcomed by the Motor Trades Association of Queensland.

Fundamental changes are also being made to the bulk end user scheme. Because it is this scheme where the interstate fuel trading issues principally arise, the changes to the bulk end user scheme commence on 1 October 2000. Information has been provided to bulk end users and fuel sellers advising them of these changes and their obligations and entitlements from 1 October 2000.

Bulk end users will be entitled to claim a subsidy quarterly in arrears directly from the Office of State Revenue for fuel used by them as a bulk end user. That is, the fuel must be delivered from their Queensland storage sites or by a distributor directly into the running tanks of their vehicles in quantities of up to 2,000 litres. Payment of the subsidy after the fuel has been used and, if necessary, records that have been produced to substantiate the claim, are essential to address opportunities for scheme abuse. In this regard, a payment in advance or upon delivery of the fuel would be contrary to the reason for redesigning the bulk end user scheme. Further, a payment in arrears approach is consistent with that adopted under the relevant Commonwealth fuel schemes.

However, in recognition of the cashflow costs that may arise for bulk end users, the subsidy rate will be increased to 8.4c per litre. In addition, in limited cases a bulk end user may lodge claims more frequently than quarterly. This may be approved where the bulk end user's fuel is a significant cost in relation to the total costs of the person's enterprise. In addition, the bulk end user must either be likely to use more than 300,000 litres of on-road fuel over the next 12 months or the costs of financing for the fuel that arise from payment of a subsidy for a three-month claim period would be likely to cause the person significant financial hardship.

As part of the changes being made for the administration of the scheme, the Office of State Revenue will be resourced to ensure that claims can be promptly paid and enforcement action taken to quickly address any areas for abuse of the scheme. In particular, the number of investigators has already been substantially increased and will be retained for the commencement of the new scheme.

In tandem with an increase in the resources for administration will be an enhancement in the Office of State Revenue's administration and investigation powers. Without these powers, it would be more difficult to detect instances of scheme abuse and to prevent unscrupulous operators from incorrectly receiving subsidy benefits. In particular—

access and information gathering powers will be improved to ensure access to information that is relevant to determining an entitlement to a subsidy payment;

recovery powers will be enhanced, third-party guarantees may be obtained before a provisional subsidy is paid to a retailer and amounts owing under the Act may be offset against future subsidy payments; and

subsidy payments are not required to be made unless the applicant proves the claim and has met all obligations under the Act.

The Queensland Fuel Subsidy Scheme is unique to Queensland; no other State provides the significant benefits to its motorists that Queensland does. However, the scheme cannot continue to operate as it does and these amendments are vital in the long-term interests of the scheme. I commend the Bill to the House.

Debate, on motion of Dr Watson, adjourned.
