Speech by

# Hon. PETER BEATTIE

MEMBER FOR BRISBANE CENTRAL

Hansard 20 June 2000

## MINISTERIAL STATEMENT

### Fuel Subsidy Scheme

**Hon. P. D. BEATTIE** (Brisbane Central— ALP) (Premier) (9.38 a.m.), by leave: This Government is determined to end the fuel subsidy rort and ensure that Queensland motorists receive the entire 8.35c subsidy. As a result of listening to the people of Queensland, yesterday the Government formed a joint task force with the key stakeholders to work on a plan to ensure that the subsidy is passed on to motorists. We have set three guiding principles for any petrol subsidy model. They are—

stop the disappearance of $100m in subsidies in the cross-border trade;

deliver the subsidy at the bowser; and

ensure that the entire 8.35c a litre is passed on to motorists.

This task force resulted from a meeting with key stakeholders who included Terry Sharpe and Paul Bidwell representing Agforce, Greg Hoffman from the Local Government Association of Queensland, Bill Parker from the Taxi Council, Peter Garske of the Queensland Road Transport Association, Graham Dalton of the Queensland Farmers Federation, Greg Arnold of the Boating Industry Association of Queensland, Geoff Johns and Tony Selmes of the Motor Trades Association of Queensland and Alan Terry and Gary Fites of the RACQ. The meeting, which was attended by the Treasurer and me as well as our relevant advisers, was positive. I was delighted with their approach. The task force will now work with the Government to make the plan work for the benefit of everyone, apart from the rorters.

Constitutional interstate free trade requirements mean under section 92 that fuel can be purchased by some interstate bulk end users. Although the existing scheme, with just 150 wholesalers, makes it easier for the Government to hand out cash, it also makes it possible for some of the money to be absorbed at different points in the distribution chain and makes monitoring of compliance more difficult. The Government has tried to make this system work. I am advised that since January 1998 there have been 167 investigations into subsidised fuel being taken across our borders resulting in $16.8m in subsidies being recovered. In that time, Queensland motorists have been robbed of at least $200m through this petrol piracy. In other words, we are only managing to claw back less than 10% of these massive interstate losses. I am advised that more than 90% has been lost across the border.

One possible plan is to pass the subsidy directly to retailers, enabling the Government to ensure that the subsidy is paid directly to the motorist. There have been suggestions in the media that this could result in retailers being faced with extra record-keeping costs which might be passed on to motorists. Retailers would have to keep records of the costs of purchase, margins, selling prices and the basis for reducing the selling price by the subsidy amount. These records are already required to be kept for income tax purposes. At the meeting yesterday, the Treasurer and I made it clear that we would be happy to talk these things through with the industry, which is why this proposal is being examined. The GST top-up subsidy—this is the one from the Federal Government, Peter Costello's plan— also means that service stations in rural and remote areas will still need to prepare these returns for the Commonwealth. So they are going to be doing that anyway. So our advice is that any increased record keeping for this scheme would be absolutely minimal.

Questions have also been raised about the cost to retailers of waiting for the Government to reimburse the subsidy. The Treasurer and I indicated to the meeting yesterday that the Government is prepared to pay the subsidy in advance unless there is a threat that the operator might go broke; that would be an extraordinary circumstance. That is normal business practice, of course. It has nothing to do with the subsidy. The safety net for the new plan will be continually monitored by the Office of State Revenue and the motorists' watchdog, the Price Watch Task Force. It should be possible to introduce the new plan later this year. Although that is a matter for evaluation, we would hope that we would be able to do that later this year, hopefully in the October/November period. However, that is up for assessment. Until then, the present scheme will continue to run as it is.

The present Borbidge/Sheldon fuel tax arrangements do have some serious problems, though. A major flaw in those arrangements is that Queensland consumes 22.5% of the nation's petrol each year. But at the time Premier Borbidge and Treasurer Sheldon struck a deal with Prime Minister Howard to receive only 19.6% of the tax back in Queensland coffers—in other words, on a per capita basis rather than a consumption basis. That cost Queenslanders $56m in the 1997-98 year alone. The Federal Government recognised the problem and in 1998 offered to fund the shortfall for Queensland by changing tobacco tax. The Borbidge Government refused because they were worried that changing tobacco tax could cost the Nationals the seat of Tablelands, which includes the Mareeba tobacco farms. As we all know, they lost the seat anyway. The shortfall has always been there, and will continue to be there, unless we can cut back the cross-border trade. The system put in place by the Borbidge/Sheldon Government has led to about $100m a year in subsidies being lost to Queensland through cross-border pirating. This Government will fix the rorts and deliver the subsidy to Queensland motorists.

In the discussions on the GST, the Treasurer and I raised with the Prime Minister our concern about this 3% shortfall between a per capita basis and a consumption basis. We tried to get it addressed. The Prime Minister said that he understood that we were being disadvantaged, but because the deal had been struck he could not dismantle it because it would mean contributions from the other States, and they were not prepared to do so. So we inherited a mess. In relation to the issue of advertising, the latest advice received—

**Mr Borbidge:** You fixed it up last week, did you?

**Mr BEATTIE:** Wait a minute. The member opposite was the one who introduced the 3% petrol tax. That was a consequence of his negotiations. How could he possibly negotiate on the basis of per capita when it should have been on consumption? Talk about a pair of dills.

In relation to the advertising, the latest advice I have received—and these figures are still being finalised—is that the total advertising costs are $319,008.27. That figure is being checked, but it is just over $300,000.

I also want to make reference to some of the difficulties that we inherited from the Borbidge/Sheldon scheme. Investigations in New South Wales have been hampered because it was only in January 2000 that the New South Wales Government put in place the necessary legislative arrangements to allow Queensland investigations in that State. Until then, they were not in place. They certainly were not put in place by the previous Government. Since January 2000, extensive investigations in New South Wales have been carried out. As a result of one such investigation, a major transport company is required to repay an amount of $760,000 in respect of subsidised fuel which was resold to retail consumers in breach of the Act. Another major case involving $1.9m is currently before the courts. Notwithstanding all the difficulties in terms of the law pursuing that and notwithstanding the difficulties of section 92, we are doing everything we can to recover that money.