

Queensland Fuel Subsidy Scheme

'Subsidy' provides tax relief

While officially known as a subsidy, what Queensland motorists actually receive is an 8.35 cents a litre rebate on federal excise applying to petrol and diesel, plus relief from 0.835 cents a litre GST.

This has effectively maintained Queensland's position as the only state or territory without its own fuel tax.

Every other state and territory in Australia imposed a fuel tax prior to 1997, when the High Court declared them unconstitutional. Faced with the loss of revenue, the other states and territories convinced the Federal Government to increase its fuel excise and pass this increased amount back to the state/territories to replace their fuel taxes.

Having not imposed its own fuel tax, the Queensland Government decided to set up the Queensland Fuel Subsidy Scheme (QFSS) to rebate its increased excise back to motorists and truckers etc. It did this partially in recognition of Queensland's decentralised nature, and its desire to be a 'low tax' state.

Continuing to rebate the tax helps ensure fuel is kept affordable in the second largest and the most decentralised state in Australia. This means, in many areas, public transport will never be viable at an affordable cost to government and the consumer.

Economic considerations

In the current recession, in which both families and business are feeling the economic pinch, RACQ believes it is more important than ever to ensure they do not have another 9.2 cents a litre in taxes imposed on the petrol and diesel they use.

The demand for automotive fuel is relatively inelastic, that is demand does not reduce when cost increases, especially where people have no reasonable transport alternatives (e.g., in regional areas and outer metropolitan suburbs). Consequently, the additional money spent on fuel will mean less to spend on other goods and services, which themselves will rise in price as businesses seek to pass on their increased transport costs to consumers.

The squeeze imposed on families' disposable incomes through higher fuel prices will generate the opposite economic effect to the Commonwealth Government's intention in making its recent \$900 cash payments to taxpayers through its economic stimulus package.

Industry groups such as the Queensland Trucking Association, Chamber of Commerce & Industry Queensland, AgForce, Marine Queensland and the Motor Trades Association of Queensland are also concerned about job losses in their sectors, should an additional 9.2 cents a litre in tax be added to fuel prices.

Environmental considerations

The fundamental objective of RACQ's advocacy on behalf of members is *safe, affordable and sustainable motoring*.

The Club not only acknowledges the need to reduce our dependence on fossil fuels but is also actively promoting a number of initiatives to reduce the impact of motoring on the environment and to support sustainable driving in the future. For example, we are lobbying government to provide more incentives for the production and purchase of low emission vehicles. Details are available in our submissions on the RACQ website at http://www.racq.com.au/about_us/lobbying_for_road_users/environment.

However, the RACQ is very aware that the existing vehicle fleet and most of the new vehicles for at least the next decade will be petroleum-powered. To this end, the RACQ is actively promoting eco-driving behaviours to help drivers develop new habits to reduce their individual fuel use. For more information on this, please see http://www.racq.com.au/motoring_advice/greener_motoring.

After a brief respite since September 2008, generated by the global financial crisis, prices for petroleum fuels are showing signs of resuming their almost inevitable upward trend as the capacity to recover and refine oil struggles to keep pace with demand. As indicated by new car sales data and fuel demand trends over the past couple of years, Queensland motorists are increasingly considering fuel use when making motor vehicle purchase decisions.

RACQ believes there are fairer ways government can achieve lower fuel use and emissions, e.g., tackling congestion, providing incentives to purchase more fuel-efficient vehicles, and public education on how to drive fuel-efficiently. Higher fuel taxes will put an even greater burden on those families and businesses who will have to continue to use their vehicles for good, justifiable reasons.

Subsidy's value to motorists

RACQ monitoring over the past decade has shown Queensland centres to have consistently cheaper petrol and diesel prices than comparable centres interstate.

It's important to recognise that the subsidy delivers 9.2 cents a litre tax relief. Neither the subsidy nor any other State Government action can influence the degree of competition in Queensland's fuel markets relative to broadly comparable centres interstate.

In recent years, Sydney and particularly Melbourne have benefited from strong retail competition from independents, keeping a lid on prices in those centres. Despite that, our monitoring showed average Brisbane prices for unleaded petrol (ULP) in 2008 was 7.8 cents a litre lower than Sydney's and 7.6 cents a litre cheaper than Melbourne's.

Our monitoring further shows that Queensland regional centres generally recorded even cheaper prices compared with equivalent NSW regional centres (based on population and distance from refineries). These differences were generally in excess of the total subsidy benefit, and up to 13 cents a litre.

But, irrespective of market comparisons, removal of the subsidy would mean Queenslanders paying an extra 9.2 cents a litre in tax on petrol and diesel.

A blatant cash grab

The Government plans to increase annual registration fees by between \$45 or 17% for four cylinder cars to \$81 or 21% for six cylinder cars and \$113 or 22% for eight cylinder cars. This will increase their revenue from registration fees by \$194 million or 19% from the expected \$1 billion in 2008/09. Further details are included in the Registration Fees FactSheet at www.racq.com.au/about_us/lobbying_for_road_users

If the Government considered that removing the QFSS was an environmental initiative, it would at least partially balance this increase in 'variable' fuel costs by reducing the 'fixed' annual costs of registration. This notion of reducing fixed or annual costs to allow for an increase in variable costs has been explored in previous RACQ submissions to the Queensland Government.

Raising both fuel taxes and registration fees simultaneously does not deliver any policy outcomes. It treats motorists as the easy target to replace lost revenue from elsewhere.

If the Queensland Government were interested in helping motorists to reduce greenhouse emissions and fuel costs, it would be announcing a range of programs to help reduce fuel use and improve transport infrastructure and services in regional areas, as well as ways to reduce traffic congestion in South East Queensland.

Instead, the Government is hitting us harder in the wallet every time we purchase fuel and every time we renew our registration.

RACQ members' views

Research has consistently shown overwhelming support for the subsidy scheme, as then Premier Peter Beattie acknowledged when a strong and spontaneous community backlash forced him to reverse his decision to scrap the rebate in 2000.

RACQ's *Members' Issues Monitor* conducted late last year found only 9 percent of some 1200 respondents from across Queensland in support of abolishing the subsidy.

Most recently, our online petition to save the fuel subsidy has attracted more than 60,000 supporting signatures in less than a week.

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