



PRIME MINISTER

13 October 1997

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
JOINT PRESS CONFERENCE WITH
FEDERAL TREASURER, PETER COSTELLO,
QUEENSLAND PREMIER ROB BORBIDGE AND
STATE TREASURER JOAN SHELDON**

E&OE.....

PRIME MINISTER:

Ladies and Gentlemen we have called this short press conference to announce an arrangement between the Commonwealth and Queensland Government that will ensure that the understanding following the recent High Court decision and the safety-net arrangements, that the fuel consumers of the various states would not be disadvantaged will in fact be preserved. As a result of this arrangement there is no need at all that the price of petrol in Queensland should rise, and that in accordance with the longstanding practice of Queensland Government, particularly the present Government, petrol will remain tax free in the State of Queensland.

So this is an extremely good outcome for the consumers of Queensland, it is a victory for the fuel consumers of Queensland and it ensures that the spirit and the letter of the safety-net arrangements that were entered into between the Commonwealth and State Governments following the High Court decision will be honoured. And it is an arrangement that has been endorsed by the oil companies as a result of discussions between Mr Costello and Mrs Sheldon today.

The Premier may want to add a few words and then if Peter Costello and Joan Sheldon, the two Treasurers who have done all of the hard work on this want to add anything, they are very free to do so.

BORBIDGE:

Thanks very much Prime Minister. Ladies and gentlemen, I am delighted with the outcome of these discussions. Queensland was placed in an incredibly difficult position as a result of the High Court ruling, where the state, without a fuel tax, was confronted with a situation where fuel prices could potentially rise by 8.1 cents per litre. Can I say that as a result of the co-operative arrangement that has been signed-off today by the Commonwealth and Queensland Governments, we have been able to ensure that the impact of a fuel tax will not hit the state of Queensland.

New arrangements will be put in place, some of those arrangements will come into practice tonight. The main plan will come into effect midnight Sunday and we are confident that it is the best-possible outcome in all the circumstances. Both Governments have sought quite extensive legal advice and certainly, we are heartened this afternoon by the response that both Treasurers received from the oil companies when they were briefed on these particular proposals which were fleshed out in Sydney on Friday. And consequent to that there was a fair amount of work done by respective Treasury officers over the course of the weekend.

I would also endorse the comments of the Prime Minister. The reason that we have been able to make this announcement today is in no small part the work of Peter Costello and Joan Sheldon, and I place on record my appreciation to them. It has been an incredibly complex exercise to work our way through. We had to be confident that the course of action that both Governments are embarking upon was constitutionally valid, and as a result of the agreement that has been reached by the Commonwealth and Queensland Governments, legislation will be introduced into the Queensland Parliament at the earliest opportunity.

JRNLS:

Can someone explain what the arrangement is?

COSTELLO:

The arrangement is really tripartite. For those retailers the full, uniform Commonwealth excise of 8.1 cents per litre will be charged right down to the retail level and the Queensland Government will reimburse retailers. So there is no reason why the consumer should pay because the retailer will be at the retail level getting a full reimbursement of the excise which is collected.

The second element of it is that there will be a subsidy to off-road diesel consumers which is modelled on the subsidy to off-road diesel consumers, as applies in the other states. Because Queensland has not had an excise it has not had to have an off-road diesel subsidy scheme before and it will be introducing such a scheme to reimburse those that are using diesel off-road.

The third element of it is that there will be a subsidy to bulk-end users. Bulk-end users, those that buy in bulk and therefore will now be paying the excise, will be subsidised back with the repayment of the excise up to the level of the previous year's

sales. So that the bulk-end users will, based on that volume-metric prior sales record, be reimbursed in full. The essence of the scheme is of course it has to comply with the requirements of Section 92 of the Constitution. As the Premier said, extensive legal advice has been sought and received in relation to that. But the good news from the point of view of the Queensland consumer is that the position which has always existed in Queensland, that is, no additional excise, no state excise, no business franchise fee on fuel, will be preserved. There is no tax reason whatsoever for any price increase in the State of Queensland. The Commonwealth excise which has been put in place to reimburse the states, particularly NSW and Victoria who lost business franchise fees as a result of the recent High Court decisions, will not affect the Queensland consumer because the total amount that is collected is to be reimbursed in this tripartite way to the consumer, who takes from the retailer to the bulk-end user and to the off-road diesel user as well.

The Queensland Treasurer and I met the major oil companies this afternoon, we explained the scheme to them, it has their support, they will be co-operating with the scheme. They reinforced that as a result of these arrangements there is no reason whatsoever for price increases because the tax will be reimbursed in full and that is the delivery to the consumer in Queensland as a result of this arrangement.

SHELDON:

There is one thing that I would like to add, and that is that there will be no price passed onto the retailer. We have a moratorium until Sunday night with the oil companies in that regard. The licensing provisions and the cap will apply from 6pm tonight.

PRIME MINISTER:

There is a press release being put out at the end of this conference...

SHELDON:

Which has all those details in it.

JRNLS:

So the Commonwealth will give the states the money to reimburse the retailer. So the legal advice therefore does not amount to a discriminatory commonwealth tax regime?

BORBIDGE:

That's correct.

JRNLS:

Where did you get that advice from? Who gave you that advice?

COSTELLO:

We received advice from a number of quarters, both at a state and commonwealth level. Just to backtrack a bit, the High Court struck down business franchise fees. The Commonwealth, which as you know, can only impose a uniform excise, stepped in with a uniform excise at the request of the states to ensure that state revenues did not suffer as a consequence. The excise in relation to the petrol is 8.1 cents a litre, principally because that was the level applying in New South Wales and Victoria.

The money thus collected by the commonwealth from the sales in Queensland is reimbursed to the Queensland Government in full. The Queensland Government administers this scheme. This is the Queensland Government's way of getting the money back into the hands of the consumer. The legal advice which has been sought and obtained confirms that it's consistent with the Constitution. At the end of the day no government, not the commonwealth, not the Queensland Government, is collecting more excise. As a consequence, there should be no price increase.

JRNLS:

Is the scheme cost neutral, Mr Costello?

COSTELLO:

There will be administrative costs, particularly administrative costs because it will have to administer the subsidy scheme. There were some new costs at the Commonwealth level that, although there have been some administrative costs in some respects, there have been savings in other respects. For example, New South Wales and Victoria are saying that they are no longer collecting business franchise fees.

JRNLS:

But will the commonwealth taxpayer (inaudible) any cost out of this?

COSTELLO:

The commonwealth has imposed the excise and remits the excise in full back to the states, less any handling costs. If there are any handling costs, it's completely neutral as far as the commonwealth is concerned.

BORBIDGE:

There will be additional administrative costs that Queensland will have to pick up.

JRNLS:

Premier, does this whole exercise highlight to you the need for tax reform?

BORBIDGE:

I think it's a good example of why we need to move forward, and certainly, Queensland strongly supports the tax reform agenda of the Federal Government.

JRNLS:

How will you stop a flooding of, through Queensland, fuel into New South Wales. And secondly, have you got a guarantee from New South Wales petrol retailers that they won't take (inaudible) to the High Court.

BORBIDGE:

What we have, and when we make the release available to you, we believe it is a workable proposition that is consistent with the Constitution and is the best that can be devised by both the Federal Government and the Queensland Government.

SHELDON:

The New South Wales retailers should not have a problem because they are currently putting the eight cents on because they have a fuel tax. We don't.

JRNLS:

What's to stop people buying it retail cheaply in Queensland and flooding the New South Wales market?

BORBIDGE:

The subsidy that will be paid to bulk end users in Queensland will be limited to a cap based on 1996 - 97 sales by distributors to those particular users.

JRNLS:

Treasurer, why didn't the states (inaudible) announced immediately after the High Court decision cut through this problem?. Why did you have to revisit the issue that..?

COSTELLO:

The way in which they applied, it allowed people to take advantage of the mechanism and as a consequence, it was decided to introduce a new mechanism which would have the same result but would prohibit unfair advantage being taken.

PRIME MINISTER:

Some jobbers entered the field and that is why this has been necessary.

BORBIDGE:

Up until the High Court decision, whilst there was some movement in this area, it was not regarded as legal, where post-the High Court decision it was made legal and that complicated the problem.

PRIME MINISTER:

Thank you.

[ENDS]