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JOINT PRESS STATEMENT

PRIME MINISTER AND PREMIER OF QUEENSLAND

QLD FUEL REMAINS TAX FREE

The Federal Government and the Queensland Government today announced details of a new fuel subsidy scheme to be introduced by the Queensland Government designed to ensure that petrol prices do not increase.

Prime Minister John Howard and Queensland Premier Rob Borbidge, along with Commonwealth Treasurer Peter Costello and Queensland Treasurer Joan Sheldon said the new scheme would ensure fuel remained tax free in Queensland.

Following the States' unanimous request for the Commonwealth to impose uniform excise on petroleum products, as a result of the recent High Court decision, interim arrangements were put in place to pay refunds in Queensland. Today's arrangements provide for protection for Queensland consumers against price rises.

The arrangement will also address Queensland's financial exposure under the subsidy provisions of the fuel safety net arrangements.

The new fuel subsidy scheme was outlined following a meeting in Canberra between Mr Costello and Mrs Sheldon and representatives of the fuel industry. It will involve a full subsidy of 8.1 cents per litre to offset the fuel safety net excise surcharge, applied as follows:

- (1) a subsidy in respect of off-road diesel consumption in Queensland (on a similar basis as off-road diesel rebates which apply in other States);
- (2) a subsidy to all Queensland retailers, based on sales of retail quantities of fuel; and
- (3) a subsidy to bulk end users in Queensland (other than off-road diesel users), limited to a cap based on 1996-97 sales by distributors to these users.

These arrangements shall take effect from midnight A.E.S.T. Sunday, 19 October. The cap applying to bulk end users, licensing procedures and compliance measures shall be effective from midnight A.E.S.T. tonight.

Mr Borbidge stressed that these arrangements would enable all Queenslanders to continue to enjoy the benefits of low fuel prices, and would remove the recent confusion and speculation regarding possible price increases in Queensland.

He added that an increase in fuel prices would unfairly disadvantage Queensland motorists who have long benefited from the absence of a fuel tax as a result of the low tax policy of the Queensland Government.

The Prime Minister said the Commonwealth Government fully supported the actions of the Queensland Government and stood ready to take any appropriate action which may be necessary to support the scheme.

He added that it was agreed under the original safety net arrangement that no State or Territory was financially advantaged or disadvantaged by these arrangements.

He also noted that Queensland, with nothing to gain, had been placed in the invidious situation as a result of the recent High Court decision where it was significantly disadvantaged as a result of unscrupulous action by some bulk purchasers of petrol.

"This is simply unacceptable," said Mr Howard, "and I will be talking to other States proposing to them an adjustment so that Queensland is compensated for the financial losses it incurs."

Legislation to establish the new scheme would be drafted for introduction into the Queensland Parliament as a matter of utmost priority.

Mr Borbidge said: "I am confident that the legislation will receive the full support of the Queensland people and that there will be no obstacles to its immediate passage through State Parliament."

Mr Borbidge also expressed confidence that the constitutional and other legal concerns with earlier subsidy proposals had been overcome. "We have received extensive legal advice, and believe that this is the most practical and workable solution to a problem which is not either the State or Commonwealth government's making," said Mr Borbidge. He indicated that advice had been obtained on the proposed scheme from the Queensland Solicitor-General, the Australian Government Solicitor and a Queen's Counsel.

"To this end, I am calling on State Labor Leader Mr Beattie to support our legislation despite the fact that he is on the record supporting the introduction of a fuel tax in Queensland."

Mr Costello said: "The Commonwealth was very happy to support Queensland in resolving this difficult and complicated issue."

Mrs Sheldon said she appreciated the support of the Prime Minister and the Federal Treasurer throughout in resolving the issue since the High Court decision.

"All Queenslanders can now see that decisive action has been taken to overcome the problem caused by the High Court decision on State business franchise fees."

"This will remove the recent uncertainties and allow Queenslanders to continue to enjoy the full benefits of lower fuel prices," he said.

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CANBERRA