RACQ LETTER SENT 18 May 2006 TO ALL QUEENSLAND MP'S & SENATORS

[Name]
[Member for/Minister for…]
[Address]

Re: Fuel Sales Grants Scheme

In 2004, the Commonwealth Government announced that the Fuel Sales Grants (FSG) scheme would be abolished from 1 July 2006 to provide savings of $270 million per year to help fund grants for roads in 'outer metropolitan, rural and remote areas' under the *AusLink* land transport policy.

We note that abolition of the FSG scheme is currently before Parliament as a provision of the *Fuel Tax Bill 2006*, which is listed for resumption of debate.

The FSG scheme was introduced at the same time as the GST to help alleviate that tax's price impact on motorists in country areas, where higher transport costs and lower sales volumes had contributed to higher prices before GST. These factors are particularly important in geographically large, highly decentralised state like Queensland. The case for the scheme remains just as valid now as in 2000.

Critics of the scheme have argued that the grants of one to three cents a litre to retailers have not been passed on to consumers and abolishing the scheme would have no effect on prices. RACQ does not believe that this is correct.

Fuel price increases will be inevitable if the Government proceeds with abolition of the scheme, because retailers and oil companies will seek to protect their existing margins whether or not those margins include any part of the grants. The only way they can protect those margins is to pass on to customers the one to three cents a litre they lose plus GST on those amounts.

Accordingly, the RACQ has expressed its concern over the past two years that consumers and businesses outside metropolitan areas will face fuel price increases of 1.1 to 3.3 cents per litre, plus price increases for other goods and services in which transport fuel is a significant input.

Rural and regional businesses and consumers have already been hit hard by high and rising fuel prices in recent times. Abolition of the FSG scheme will only worsen the burden.

The RACQ is fully supportive of provision of more Commonwealth funds to improving our roads. Indeed, in the context of Queensland's rapid growth of population and economic activity, RACQ believes Commonwealth allocations require a very much larger degree of supplementation than cancelling the FSG scheme allows. The obvious source of the necessary additional funds is the 85 per cent of fuel excise that is not allocated to roads.

Queensland motorists from Beaudesert to Normanton (where the FSG applies at one and three cents a litre respectively) will most certainly notice the loss of the grant every time they fuel their vehicles – far more than they will perceive any improvement in roads in their areas as a result of spreading $270 million of FSG scheme money around rural and regional Australia annually for the next three years.

At a time when fuel prices have reached all-time highs, and on behalf of our one million-plus members, the RACQ urges you to do all that you can to preserve the Fuel Sales Grants scheme by rejecting the provision of the *Fuel Tax Bill* that would result in its abolition.

Should you wish to discuss this issue, I invite you or your staff to contact our General Manager for External Relations, Gary Fites, on 3872 8909 or 0418 743 094.

Yours faithfully

Julie-Anne Schafer

Julie-Anne Schafer
President