

## **Submission to the Senate Inquiry into the Price of Petrol in Australia**

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### **Recommendations**

- 1. The Federal Government either cap or remove the GST from petrol recognising that it imposes an unfair burden on residents in rural and regional Australia. This would provide a tax cut to Australian families and reduce pressure on inflation and interest rates.**
- 2. The Federal Government reinstate the fuel transport subsidy to the Torres Strait where fuel prices have increased by more than 15 cents per litre recently adding to the cost of living and doing business.**
- 3. That the Federal Government take action to ensure competition is maintained in the retail fuel sector by strengthening the powers of the ACCC and making them report six monthly on petrol prices.**

### **Introduction**

The seat of Leichhardt encompassing Cairns, the Douglas Shire, Cape York Peninsula and the Torres Straits experiences petrol prices well above those in metropolitan areas.

In the Islands of the Torres Straits we are regularly paying \$1.95 per litre and up to \$2.80 per litre. In Regional Centres like Cooktown the price is \$1.49 per litre.

In Cairns we are paying \$1.35 for regular unleaded petrol approximately 10 cents per litre more than the price in Brisbane.

This flows onto the cost of other goods and services in Leichhardt so that residents are not only feeling the impacts of higher fuel prices but also increases in the cost of living and doing business.

Communities in Leichhardt are particularly dependent on the tourism industry and fuel price increases have reduced the number of domestic tourist travelling to Cairns, Douglas Shire, Cape York and the Torres Strait.

Our communities are therefore experiencing hardships in a number of ways as a result of spiralling petrol prices.

Communities recognise that fuel prices have increased as a result of rising prices around the world but there is more the Federal Government can do to ease the impacts of rising petrol prices on our communities.

## **Taxes and Subsidies**

The GST has had a significant impact on spiralling petrol prices adding to the burden being imposed by international price increases. It is completely unfair for communities in the Torres Strait to be paying 7 cents per litre in GST more than those in places like Brisbane and up to 15 cents more GST per litre in the outer Islands.

The GST is also a tax on a tax and these communities do not benefit from the petrol excise collected that is invested in roads because most of their transport is by boat or air. The Federal Government recently removed a fuel freight subsidy to the Torres Strait that has increased the price of petrol by more than 15 cents per litre. It is only fair that the Howard Government reinstates this subsidy or provides tax relief on fuel to these communities.

The Howard Government also recently abolished the Fuel Sales Grant Scheme that was designed to compensate motorists in Leichhardt for the increasing costs of petrol because of the GST. The situation has only got worse and yet the Federal Government has abolished this scheme without putting in place any alternative. The Senate inquiry must look at the unfair impacts of the GST on fuel prices in regional Australia.

Removing the GST from fuel would provide a tax cut to every Australian family and ease pressures on inflation and interest rates. At a minimum the Senate should look to cap the GST on fuel so that every resident pays an equal amount of tax.

## **Competition**

Cairns regularly experiences fuel prices greater than those in Innisfail and Atherton. Both of these are smaller centres approximately 100 km from Cairns. The arguments that service stations need to charge more because of higher transport costs or smaller volume of sales do not hold up in these circumstances. A lack of competition in the Cairns market is enabling service station owners to price gouge local consumers.

The Australian Competition and Consumer Commission needs to formally investigate petrol pricing in Far North Queensland and publicly report on why prices vary between these centres. Petrol prices also need to be declared under the prices surveillance provisions of the ACCC for monitoring purposes and have the ACCC report six monthly on movements.

The Federal Government also needs to ensure that independent retailers are protected so that competition is maintained in the retail sector.

## **Conclusion**

The Howard Government can do more to ease the burden on residents in Leichhardt of spiralling petrol prices. The Prime Minister cannot argue that the recent tax cuts compensate for rising petrol prices. Families in Leichhardt are already struggling because of rising interest rates and reduced wages and job security because of the industrial relations legislation and need action from the Federal Government on petrol prices.