

**BOYCE**

CHARTERED ACCOUNTANTS

OUR FOCUS IS YOU

22 August 2006

Mr Peter Hallahan,  
Committee Secretary  
Senate Economics Committee  
Department of the Senate  
P O Box 6100  
CANBERRA ACT 2600

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P G Alchin CA

**DIRECTOR**  
D H Newnham CA

**CONSULTANT**  
M N G Boyce FCA

Dear Peter,

Boyce Chartered Accountants is a firm of accountants based in rural NSW. We employ approximately 150 people and have offices in Cooma, Wagga, Goulburn, Dubbo, Orange and Moree.

Our clients have diverse business interests, from irrigated and dryland farming and grazing, to tourism and business in rural towns.

Our clients predominately have one thing in common – they are not located on the eastern seaboard and as a result have seen services to their home towns decrease.

Whether it be the reduction in service from banks, hospitals, schools or business, the change in rural NSW has been alarming (especially) over the past 30 years.

The latest threat to the communities in which we do business is the price of fuel.

The majority of our clients, being primary producers, are entitled to the diesel fuel rebate, but as a result of the increase in fuel prices, the effect of this rebate has been diluted. In 2003, fuel prices were 86c/ltr before the rebate and 48c/ltr after the rebate. In 2006, fuel prices were 130c/ltr before the rebate and 92c/ltr after the rebate. Therefore, for the farmers who were struggling to make profit in 2003, the net price of fuel has increased 92% in four years.

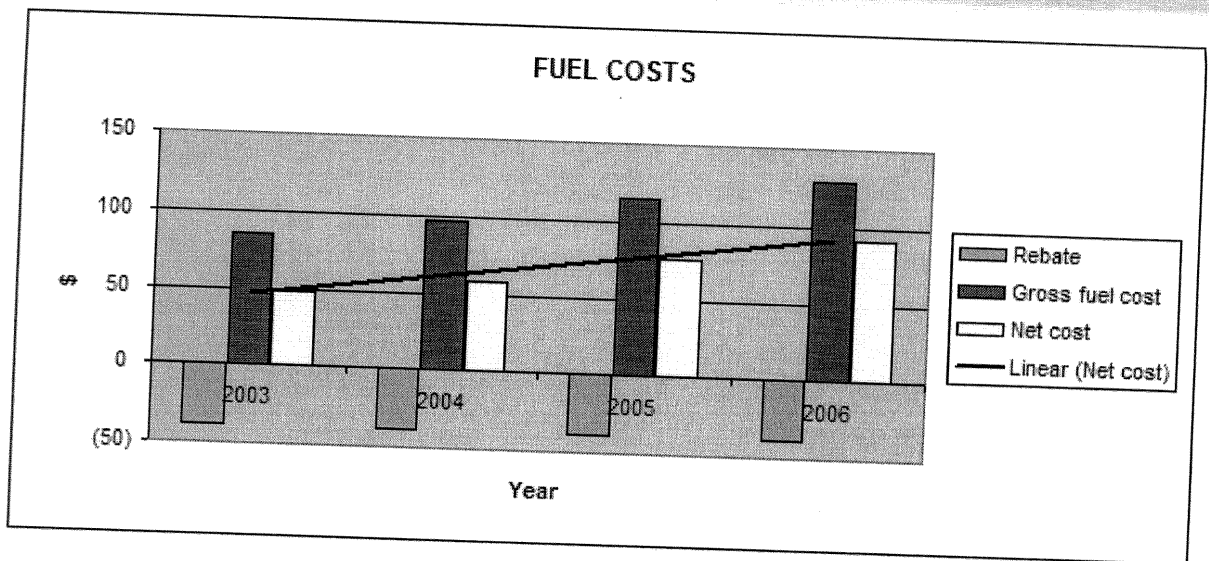
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	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Gross fuel cost	86	97	115	130
Rebate	(38)	(38)	(38)	(38)
Net cost	48	59	77	92
Increase in net fuel cost	100%	123%	160%	192%
Net cost as % of gross fuel cost	56%	61%	67%	71%



It is not difficult to show that the price of fuel has increased dramatically – we know that. We also know the direct effect that has had on our clients profitability – one litre of fuel now is no more efficient than it was 5 years ago. Net fuel cost as a percentage of gross income has increased from 4% to 8% for a sample of our clients over the past four years.

As a direct result of falling profitability, our clients' ability to employ people and reinvest profits in rural areas has decreased.

Our largest ten clients (by turnover) fuel bills have risen (on average) from \$700,000 in 2003 to \$1,350,000 in 2006. This is a 92% increase. On top of the direct fuel costs, the majority of all other farm costs have increased due to the increase in fuel prices, as all businesses require fuel/cartage to get the products that they sell to our area. These costs have no bearing on increased productivity and go straight to the bottom line.

What is hard to quantify, but what is just as obvious to us, is the flow-on effect on our clients businesses because the amounts they pay for goods and services have increased due to the increase in fuel prices.

What we are seeking from the Federal Government is some relief and assistance.

The way we see it, there is no 100% fair way to solve the problem of the spiraling costs to businesses in rural NSW. Some could argue that the cost of fuel should not be subsidized in rural NSW.

We know however that if things aren't turned around in rural NSW, the exodus to coastal areas, with all the issues that entails, will continue. The pressure on coastal infrastructure (land, water, sewerage, roads etc) alone is a cost that can be reduced if we can keep people in, and encourage people to move to, rural areas.

If the government wants to avoid those costs that are looming in cities, it makes sense to spend money now to keep people in rural areas.

We believe fuel subsidies are one way of achieving this.

Yours Faithfully,



David Newnham  
BOYCE Chartered Accountants  
Moree