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26th February, 2001

Mr. John Howard  
Prime Minister  
Parliament House  
Canberra ACT. Fax No. 02 62734100

Dear Mr. Howard,

**Re: REALLY ELIMINATING PETROL AND DIESEL PROBLEMS**

There is a very simple solution to the problems confronting you and your government regarding the prices of petrol, diesel and LPG.

I remind you of your election promise that you would reduce the excise on petrol and diesel sufficiently to counter the 10% GST (which is precisely one-eleventh of the wildly fluctuating retail price).

Such a promise was, of course, absolutely impossible to keep (see my notes on the attached copy of pages 23 and 86 of Peter Costello's August 1998 book which he produced so as to fully explain your policy). It is very elementary mathematics that the dropping of the excise by a fixed 6.7c per litre cannot possibly exactly balance a GST of 10% added to the fluctuating retail prices of petrol.

The 6.7c excise reduction only balances the GST when the retail price is 73.7c – a price that has not been available since the introduction of the GST.

When petrol is 88c per litre the GST is 8c, while when it is 99c the GST is 9c. With retail prices of petrol often varying by 10c at the same service station on the same day, the absurdity of Peter Costello's promise is apparent.

In addition to the pricing problem there is a little publicised, but nevertheless very serious, costly compliance problem.

The attached brief outline of the details of how the taxes and rebates are administered shows how the simple system which operated until the 30<sup>th</sup> June 2000 has been replaced by a much more complex set of rules which, in addition to involving a dramatic increase

in paper-work, created a cash flow problem for farmers and others eligible for the excise rebate on fuel used “off road”.

**I strongly urge you to solve the problems as follows:**

1. Abolish the GST on petroleum fuels.
2. Re-set the level of the excise on petrol and diesel at the level it was at on the 30<sup>th</sup> June 2000 (i.e. prior to the GST).
3. Extend the Diesel and Alternative Fuel Rebate Scheme (re-naming it “Diesel, LPG and Alternative Fuel Grants Scheme”), setting the grants so as to provide the same reduction in their cost to farmers, transporters etc as is provided by the combination of the current rebates, grants and GST credits on those fuels used in their commercial operations. I am NOT suggesting that a rebate be available on the fuel for cars – the proposed reduction in excise and compliance costs would adequately compensate for the abolition of the GST credit presently being claimed by registered businesses on such fuel (keeping in mind its effect on their fringe benefits calculations).
4. Extend the eligibility for a grant under the present Diesel and Alternative Rebate Scheme to apply to all commercial vehicles, no matter where they are used in Australia. You will see on the aforementioned copy of page 86 of Peter Costello’s book that you promised it would apply to all “vehicles with a gross vehicle mass over 3.5 tonnes”, but that promise was broken when Peter Costello made the deal with Senator Meg Lees – they increased the weight to 4.5 tonnes and excluded metropolitan mileage.
5. Scrap the present Fuel Sales Grants Scheme (which was introduced in a clumsy attempt to compensate regional and remote parts of Australia for the extra transport costs imposed by the GST on fuel) and replace it with a grant to all service stations and fuel depots supplying farmers etc. The amount of the grant could be set so as to eliminate the present differences between city and country fuel prices.

I sincerely believe that the direct cost to government revenue by the above changes would be more than offset by the massive savings in administrative and compliance costs.

My proposal could easily be implemented so as to commence on the 1<sup>st</sup> April – the necessary structure is already in place at the Australian Taxation Office.

Yours sincerely,

Bob Parry