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22nd August, 2006

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

Dear Mr. Howard,

Re: REDUCING PETROL AND DIESEL RETAIL PRICES

Your government can very simply reduce the retail price of petrol and diesel used in motor vehicles as follows:

1. Abolish the GST on petroleum fuels.
2. Add 7 cents per litre to the fuel excise and distribute the revenue thus obtained to the states in the same proportion as GST revenue.
3. Increase by 7 cents the Fuel Tax Credits rates (which replaced the Diesel and Alternative Fuel Rebate Scheme on July 1 this year) so as to provide the same reduction in the fuel costs to farmers, transporters etc as is provided by the combination of the current credits, rebates, grants and GST credits on those fuels used in their commercial operations. I am NOT suggesting that a Fuel Tax Credit be available on the fuel for cars – the reduction in GST 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 tax).

The above change would reduce the retail prices of petrol as follows:

121cents would become 117cents
132cents would become 127cents
143cents would become 137cents
154cents would become 147cents.

I wrote to you on this subject on the 26th February 2001 (copy attached) and I was pleased to see that the excise credit was extended to large trucks operating in metropolitan areas as from July 1, thus eliminating administrative problems and reducing metropolitan delivery costs.

Politically my proposal should be very attractive – your initiative would produce the significant permanent price cuts without costing the Federal budget one cent, the states would receive the equivalent of GST on fuel at 77c per litre (which was intended when GST was introduced on July 1 2000) and the unfair GST “tax on a tax” would be eliminated.

The change would be an important move towards reducing inflationary pressures by immediately significantly reducing the retail price across Australia (see attached tables which also highlight recent overnight fluctuations) particularly in country areas.

My proposal could easily be implemented so as to commence on the 1st October (if not sooner) – the necessary structure is already in place at the Australian Taxation Office.

I would greatly appreciate the opportunity of fully discussing my proposal with you and your advisors – I assure you that I have thoroughly researched the subject and am preparing a submission to the current “Inquiry into the Price of Petrol in Australia” by the Senate Economics Committee.

Yours sincerely,

Bob Parry