



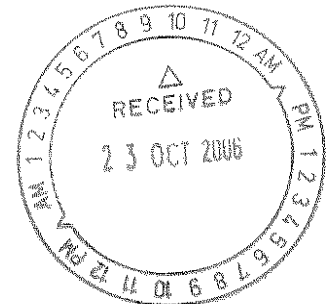
Queensland  
Government

Premier of Queensland

For reply please quote: MN112129/NL01/ECP

12 OCT 2006

Mr Peter Hallahan  
Secretary  
Senate Economics Legislation Committee  
Suite SG.64  
Parliament House  
CANBERRA ACT 2600



Dear Peter

I refer to your letter dated 11 July 2006 to my Chief of Staff, Mr Rob Whiddon, notifying the Queensland Government of the Senate Economic Legislation Committee's *Inquiry into the Price of Petrol in Australia* and inviting submissions.

On 25 August 2005 the Queensland Parliament resolved that the Impact of Petrol Pricing Select Committee be established to examine petrol pricing issues in Queensland.

The report, *Inquiry into Petrol Pricing in Queensland*, was tabled in the Queensland Parliament on 4 April 2006. This report, along with the Queensland Government's response, is enclosed for the information of your Committee (also available from the Queensland Parliament web site at [www.parliament.qld.gov.au](http://www.parliament.qld.gov.au)).

International factors are a key determinant of domestic petrol prices, but it is important that this is not used as an excuse for inaction. The impact of high petrol prices on the financially vulnerable sections of the community, and the strategic importance of petrol in the economy, makes it incumbent upon governments to take whatever practical steps are available to reduce petrol prices and Australia's longer term reliance on petrol.

Queensland is widely known for having some of the lowest petrol prices in Australia, largely as a consequence of the Queensland Government's Fuel Subsidy Scheme. This Scheme provides a subsidy of 8.354 cents per litre for retail purchases of petrol for on-road uses. This can be contrasted with the Federal Government's fuel excise of 38 cents per litre.

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While the Queensland subsidy benefits all Queensland residents, the Commonwealth's decision to cease the *Petroleum Products Freight Subsidy Scheme* and the *Fuel Sales Grants Scheme* will increase the burden of high petrol prices on residents in rural and remote communities relative to major metropolitan centres across the nation. I have written previously to the Prime Minister requesting that the Commonwealth continues an appropriate fuel subsidy scheme for regional and remote consumers.

Beyond the provision of direct relief in the form of the Subsidy, the Queensland Government is engaged in a number of strategies to facilitate a longer term reduction in petrol dependence. The Queensland Government is investing in integrated public transport systems and other modes such as walking and cycle paths to reduce the number of private vehicle kilometres travelled, particularly in the South East corner.

The Queensland Government's *Queensland Ethanol Industry Action Plan 2005-07* is starting to see significant results in building consumer confidence in ethanol. Development of the State's ethanol industry will be further enhanced by this Government's recent election commitment to pursue a 5% ethanol mandate in all standard petrol produced in Queensland. The Queensland Government is also currently developing an Alternative Fuels Policy that will examine options for Queensland's involvement in the development of petroleum alternatives generally.

The conclusion of previous reports and inquiries into petrol pricing in Australia, and one consistently borne out by the data, is that the key determinant explaining petrol price differentials is competition.

The Queensland Government has expressed its concerns about competition in the industry to the Australian Government on many occasions. The vertical integration of the petroleum industry, combined with the reduction in the number of independents, places a large amount of pricing power in the hands of the few.

At the same time, the powers provided to the Australian Competition and Consumer Commission (ACCC) to investigate and act on petrol price concerns seem inadequate.

The ACCC has previously advised me that it lacks the appropriate referral from the Federal Treasurer to investigate fuel prices comprehensively, while also noting it has proven difficult to establish under the relevant sections of the *Trade Practices Act 1974* whether abuse of market power is taking place. It is unclear whether the Federal Government's proposed Oil Code of Conduct (the Oilcode) will improve the situation.

It is these competition and enforcement aspects that I consider should be a key focus of your Committee's deliberations.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'P Beattie', written in black ink.

**PETER BEATTIE MP  
PREMIER AND MINISTER FOR TRADE**

**\*Encl.**