

**Gippsland Resources Group (GRG)**

**Submission  
to the  
Senate Select Committee on Fuel and Energy**

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The Gippsland Resources Group Inc. (GRG) is a not for profit body run by members of the Gippsland community. We have made submissions to various enquiries and campaigned on a broad number of subjects.

This submission will concentrate on five aspects of the Senate Inquiry:

- 1) The impact of higher petroleum, diesel and gas prices on families, small business, rural and regional Australia, grocery prices and key industries including but not limited to tourism and transport;
- 2) The impact of an emissions trading scheme on the fuel and energy industry;
- 3) Taxation arrangements on petroleum, diesel and gas products;
- 4) The impact of higher petroleum, diesel and gas prices on public transport systems;
- 5) Regulatory bodies and mechanisms.

1. The impact of higher petroleum, diesel and gas prices on the community and pensioners is much more severe in rural and regional areas. On the 22<sup>nd</sup> April, 2008 GRG sent a submission to Federal Treasurer Swan on water, energy and fuel prices (copy attached). Unfortunately, there has been no response to date.

Pensioners and carers are in dire straights and the government is only paying lip service whilst taking Gippsland's natural assets for granted and subsidizing a capital city-centric economy. Petrol is a typical example. Gippslander's regularly pay 10 to 12 cents per litre more for their fuel than their suburban counterparts. There has never been an inquiry that has established the reasons why this is so. We are told, usually through media outlets, that it is the lack of competition and the costs of running a petrol fuel outlet.

The only actual cost from the terminal to the pump is a freight differential of about 3 to 5 cents per litre. What is the justification for the higher price outside this added cost range? With this additional cost for fuel, goods and services, transport become more expensive to the consumer, particularly low income families.

Whiles Gippslanders seem to subsidise the rest of Victoria and Australia in particular commodities, they do not get any economic advantage for the proximity of particular resources. We are still subsidising aluminum producers with electricity and get no advantage from the fact that the electricity is produced in this area. Why should a continual cross subsidisation occur with us being hit with so-called transport costs?

Gippsland has been an area of high unemployment and high casual employment with almost double the national average and in the industrial towns of Moe and Morwell double digit unemployment.

The Petrol Commissioner and fuel watch legislation only seem to be concerned with capital city prices. Is there to be a regional and rural focus from the Petrol Commissioner and will there be a presence in Gippsland?

The operation of the domestic petroleum, diesel and gas markets is really an illusion as world price parity is subject to market speculators, conflicts and the lack of regulation. As fuel prices affect all commodities, transport and industry operators there is an urgent need for more government regulation. GRG believes that fuel should be classified as an essential service and subject to the same regulatory frameworks as other utilities such as water, gas and electricity. In these uncertain economic times, wild fluctuations in fuel prices, usually upward are, in our opinion, inflationary and need to be stemmed.

2. An emissions trading scheme is essential to assist in dealing with the environmental effects of climate change. As with the price increases in other utilities in the last six months the community should be adequately compensated. The major polluters should be subject to stricter regimes and not overly protected under the threat of disruption to power supplies. It is a disincentive to compensate the perpetrators.

The existing set of federal and State government regulatory powers are totally ineffective, what we know of them. As the Essential Service Commission is supposed to regulate the prices of the utilities under its jurisdiction, we believe that domestic petroleum, diesel and gas industries should be subject to a regulatory regime such as the ESC although this Commission should be far more independent from governments than is now the case.

It is doubtful what the Petrol Commissioner would do to exert pressure over pricing and the Australian Competition and Consumer Commission (ACCC) has been ineffectual in curbing price collusion, which is particularly evident in regional areas such as Gippsland. An essential commodity such as petrol should not be the subject of foreign exchange speculation.

The taxation arrangements until they become a domestic consideration are largely uncontrollable because of the predominance of multinational companies' involvement and the US dollar rate compared to the Australian dollar being a major factor in the barrel prices.

3. With our almost total reliance on fossil fuels and the world parity price fluctuating internationally on a daily basis, there is an urgent need for investment in domestic alternative fuel technologies. Even to adopt existing technologies as regards national implementation of a natural gas conversion on

all present vehicles with all future motor vehicles to be mandated to use natural gas – an abundant commodity in Australia. Hopefully, this will lead to domestic rather than international factors influencing our economy.

As the exploration for oil and gas are controlled by multinational companies and refining as well, the domestic component is lost. Until we have some control over our own destiny it is hard to gauge the effect on Australia in comparison to other economies such as China and India where there is huge demand.

4. The effect of higher petroleum, diesel and gas prices is more severe in regional and rural areas such as Gippsland because of a poorly integrated public transport system.

There was a transport forum conducted at Monash University, Gippsland in 2001 by one of our colleagues. A tender was prepared and submitted as part of the Latrobe Valley Task Force implementation. The tender was ignored in favour of a Melbourne based business. Little wonder that the people in Gippsland are unimpressed with government responses to issues that affect their lives by not allowing participation in the operation. As a result, all the good suggestions in 2001 have been ignored and we have a disjointed public transport system serviced by polluting buses and trucks instead of an interconnecting shuttle rail service that could accommodate the freight and commuter requirements of the central Gippsland population of 75,000.

## 5. Suggestions

- a) Mandate fuel prices on petrol, diesel and natural gas;
- b) Construct as a matter of urgency alternative transport modes to diminish isolation;
- c) Foster decentralisation of existing services;
- d) Convert fuel wastage to more sustainable levels;
- e) Tourism transport be rearranged to a more modal structure;
- f) Private transport cannot be abolished because of isolation from major population centres;
- g) Change taxation structure on fuel use:
  - No subsidies for any use except in the case of producing and transporting food;
  - Use any tax cuts to eliminate excise duties. This would only apply after tax revenue has been utilized to the full for expanded government expenditure.
- h) Greatly expand public transport systems;
- i) Expand public transport manufacturing and construction facilities;
- j) Encourage the expansion of alternative fuel vehicle manufacturing and retro fitting of existing vehicles.

# Gippsland Resource Group

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The Hon. Wayne Swan M.H.R.  
Federal Treasurer  
Parliament House  
Canberra ACT 2600

Re: Gippsland Water Plan 2008-2013  
And Energy and Fuel Prices.

Dear Treasurer,

The Victorian Essential Services Commission has released a draft decision that will increase water rates at an average of 20% per year for five years under the Gippsland Water Proposal due to commence on the 1<sup>st</sup> of July 2008. This is the highest rate of the 13 regional water utilities in Victoria.

In January of this year the consumers had retail electricity and gas prices increased by 17%. Gippsland is an area rich in natural resources but gets no advantage and subsidises the largest industrial users and the rest of Victoria.

For example, the six major users in Gippsland Water's jurisdiction use 73% of the water allocation, the household consumer including pensioners, unemployed and self funded retiree's use 27%. We are expected to cross subsidise the major users including capital expenditure funding totalling about \$250 million.

The Gippsland Water Factory represents about \$125 million of the total spend and has at the moment only one customer, Australian Paper at Maryvale, one of the big 6 industrial users.

The pricing details of the large users are supposedly "Commercial in Confidence".

When you add to this that Gippsland consistently pays 10c to 12c more for motor fuel than Melbourne and fuel costs are added to food prices you can appreciate Gippsland people are becoming cynical about exorbitant price increases for basic commodities way above inflation, and Gippsland is becoming an un-attractive region to reside in.

Unemployment in the Latrobe Valley towns of Moe and Morwell are double digit in percentage terms and the average number for the Latrobe City Council area is almost double the national percentage.

As you will appreciate there is not the income to support the proposed increases in water rates.

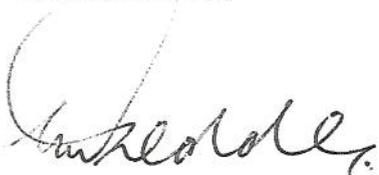
We call on the Federal Government to intervene on the proposed water rates and restrict the increase to a much more reasonable level; we do so because of your government's decision to fight inflation. These increases are beyond inflation forecasts.

We would also call on the Federal Government to make:-

1. A notable increase in social security payments
2. To an inquiry in fuel prices in regional areas.
3. An inquiry into food prices affecting low income households.
4. The price consequences to consumers and tax payers of carbon capture sequestration.
5. Substitute the projected \$31 Billion tax cuts in favour of a reduction on fuel excise, other charges or G.S.T. on fuel as another attack on inflation.

We seek an urgent response from you because of the timing on the proposed water rates.

Yours sincerely,



Merv J. Geddes  
Interim President

ORIGINAL SENT  
22/4/08