

Fuel Sales Grants Regulations 2000 2000 No. 161

EXPLANATORY STATEMENT

STATUTORY RULES 2000 NO. 161

Issued by authority of the Assistant Treasurer

Fuel Sales Grants Act 2000

Fuel Sales Grants Regulations 2000

Section 9 of the *Fuel Sales Grants Act 2000* (the Act) provides that the Governor-General may make regulations for the purposes of the Act.

Subsection 4(1) of the Act provides for regulations to give meaning to the term *eligible location*. Subsection 8(1) of the Act provides for regulations to set the amount of the fuel sales grant.

The Act introduces a tiered system of grants to be paid to eligible fuel retailers for sales to consumers in non-metropolitan areas, with a higher rate of grant provided for sales in remote areas. The grants will be available for fuel sales to end users in eligible locations made after 3) 0 June 2000.

The purpose of the Regulations is to define eligible locations, and set the amount of fuel sales grants.

The Regulations define eligible locations as a non-metropolitan or remote area (proposed Regulation 5) and define metropolitan area for the purposes of establishing a non-metropolitan area (proposed Regulations 3 and 4). The mechanism in the Regulations for determining non-metropolitan and remote areas is the Accessibility/Remoteness Index of Australia (ARIA) developed by the National Key Centre for Social Applications of Geographical Information Systems (GISCA) at the University of Adelaide. ARIA provides a standard classification and index of remoteness. The ARIA index measures remoteness as a continuous variable from zero (high accessibility) to 12 (high remoteness).

For the grant scheme, the proposed Regulations define the metropolitan areas as those which have an ARIA rating of zero and a population of greater than 260,000. The metropolitan areas meeting these criteria correspond to certain of the Urban Centres/Localities Structure described in the Australian Standard Classification (ASGC) used by the Australian Bureau of Statistics. The Regulations refer to each of these Urban Centres/Localities by State, ASGC code and name.

The Regulations define non-metropolitan areas as the areas which exclude the metropolitan areas (as defined above) and which are rated as 5.8 or less in the ARIA index; and remote areas the areas with a rating greater than 5.8 in the ARIA index.

The regulations specify the following fuel sales grants rates (proposed Regulation 6):

- * A grant rate of one cent per litre for sales of petrol and diesel to consumers in non-metropolitan areas.
- * A grant rate of two cents per litre for sales of petrol and diesel in remote areas.

The Regulations also provide that the Commissioner of Taxation may, in a written determination, set out the circumstances in which a special rate of grant may be paid, and determine the amount payable (Subregulation 6(3)).

The Regulations commence on 1 July 2000.

FUEL SALES GRANTS SCHEME

REGULATIOIN IMPACT STATEMENT

1. Policy Objective

The Government announced in *Tax Reform: Not a New Tax - A New Tax System* that excise on petrol and diesel will be reduced so that the pump price of these commodities need not rise with the introduction of the GST.

Petrol and diesel prices in non-metropolitan and remote areas are generally higher than those in metropolitan areas.

Under the Fuel Sales Grants Scheme a grant rate of one cent per litre will be paid for sales of petrol and diesel to consumers in non-metropolitan areas, with a two cents per litre grant provided for sales in remote areas. For isolated cases where fuel prices are beyond \$1.20 per litre in remote areas, fuel retailers may apply to the ATO for an additional grant.

The grants scheme will help address the fuel price divergence between city and regional areas and will apply to eligible sales made after 30 June 2000. Taken with the excise reduction, these measures will ensure that the Government's price commitment is met.

2. Implementation Options

Implementation options included providing the grant to wholesalers, retailers or consumers.

In implementing the scheme, grants are to be paid to retailers of fuel (such as service station operators) rather than to wholesalers or directly to consumers. This reduces compliance and administration costs whilst providing the benefit closer to consumers, the intended beneficiaries.

Payment directly to wholesalers would deliver a grant further removed from the intended beneficiaries of the grant.

Payment of the grant directly to consumers would be administratively difficult, with significant record keeping requirements for individuals and excessive compliance monitoring costs for the ATO.

The *Fuel Sales Grants Act 2000* provides a tiered grant system to be paid to registered retailers located in eligible locations.

The *Product Grants and Benefits Administration Act 2000* provides the administrative framework for grants and benefits administered by the Commissioner of Taxation. This provisions of this Act apply to the Fuel Sales Grants Scheme.

The *Fuel Sales Grants (Consequential Amendments) Act 2000* amends the *Taxation Administration Act 1953* to ensure that the provisions which apply generally to Acts administered by the Commissioner of Taxation will apply appropriately to the new grants and benefits laws.

3. Assessment of Impacts (costs and benefits)

Impact group identification

Eligible retailers under the Fuel Sales Grants Scheme will receive a grant, based on the volume of fuel sold to end users. The eligible retailer may apply to receive an advance of the grant that may become payable. The amount of the advance will be based on the retailer's assessment of the annual fuel sales, pro-rated for the period covered by the advance, initially 3 months. The

retailer will pass the amount of the grant on to the end user by reducing the price of the fuel by that amount, prior to applying GST to the price.

The groups impacted by the Fuel Sales Grants Scheme are as follows:

- * consumers of petrol and diesel in non-metropolitan and remote areas;
- * eligible registered fuel retailers - it is estimated that there will be approximately 8,000 - 10,000 retailers who will be eligible to register. There will be some minor costs associated with record keeping requirements;
- * end users of fuel who purchase from participating outlets in eligible zones, who will be able to purchase fuel at a price including the benefit of the grant;
- * the ATO which will be responsible for administering the scheme; and
- * the ACCC which will monitor fuel prices under the price exploitation provisions of the *Trade Practices Act 1974*.

Assessment of costs/ benefits

The cost of the Fuel Sales Grants Scheme (ie grant payments to eligible retailers) has been estimated at approximately 5490 million over the next four years. The 2000-01 Federal Budget allocated \$ 110 million for expenditure on the scheme in the first year, rising to \$ 135 million in 2003-04.

In the Federal Budget 2000-01, provision was made for the ATO to be provided with 5.17 million capital funding for computer software and systems development for the administration of the scheme, in addition to 55.2 million provided for the 1999-2000 financial year. Funding, of \$9.5 million for staffing and other implementation costs has been provided for 2000-01, in addition to 53.2 million in 1999-2000 to implement the scheme.

Costs to retailers participating in the scheme are expected to be minimal. Retailers will need to register with the ATO and maintain records, including those relating to sales volume. As fuel retailers are already required by the *Fuel (Penalty Surcharges) Administration Act 1997*, to have systems in place to record this data, there is unlikely to be any significant additional record keeping associated with the Fuel Sales Grants Scheme.

Participating retailers may apply for an advance of the grant to alleviate any cash flow difficulties. Those who apply for an advance, will initially be given a three month advance, based on the retailer's estimate of volume of fuel sold. Within 28 days of the expiry of the period covered by the advance, the retailer is required to submit a claim based on the actual sales recorded for that period. A participating retailer not seeking an advance, is required to make a claim before the end of two years after the end of the claim period.

When a claim is submitted, the ATO will make an assessment of the entitlement and notify the claimant. Where an amount is due to the claimant, it will be paid but where the amount of the advance exceeds the grant entitlement, the retailer will be required to repay the amount notified on the assessment.

The benefits of the Fuel Sales Grants Scheme are directed towards end users of fuel in non-metropolitan and remote regions of Australia. The scheme will be prescribed under the price exploitation provisions of the *Trade Practices Act 1974* to enable the Australian Competition and Consumer Commissioner to monitor fuel prices and ensure the benefits of the grant are passed on to consumers.

Other issues - consultation

The ATO has consulted with key industry groups, including the Australian Institute of Petroleum (AIP), the Australian Petroleum Agents and Distributors Association (APADA) and the Motor Traders Association of Australia (MTAA).

4. Conclusion and recommended option

The Fuel Sales Grants Scheme will provide a tiered grant targeted at consumers of petrol and diesel in non-metropolitan and remote areas where fuel prices are generally higher than in metropolitan areas.