

Attn: Chiefs of Staff, Tax writers

Zero-rate Diesel to Protect Health

Following the Senate Committee's vigorous attack on the fuel excise changes proposed in the GST package, the Government should abandon the huge cut in the price of diesel if major damage to the health of city dwellers is to be avoided, according to the Australia Institute.

In its report tabled today, the Senate Committee says that the evidence that fuel price cuts will increase urban air pollution is "compelling" and that the implications for health are "profoundly disturbing".

The Australia Institute's submission to the inquiry provided the only comprehensive assessment of the impacts of the proposed fuel price changes on the environment. It showed that the 25 cents/litre cut in the price of diesel for 'heavy' vehicles is the worst feature of the proposed tax changes.

In a joint submission to the main Senate Committee inquiring into the new tax system, the Australian Medical Association, the Australian Conservation Foundation and the Australia Institute noted that more than 1000 Australians die each year as a result of inhalation of fine particles, much of it from diesel exhaust.

The submission argued that the health costs associated with the diesel price cut could exceed \$300 million per annum. The Senate Committee quoted the Australia Institute's estimate that at least 65 more Australians will die each year from air pollution and road accidents.

"This cost of \$300 million per year can be compared with the total economic benefit of the whole GST package estimated by Econtech at \$607 million per year," said Institute Executive Director Dr Clive Hamilton.

The proposed excise changes would result in \$2.4 billion in lost revenue. Keeping existing excise arrangements would require fuel to be zero-rated under the GST.

"Since half of the benefits of fuel excise cuts would stay in the cities, the Government could help regional Australia more by abandoning the excise changes and spending \$2.4 billion on targeted programs. The current proposals will see a small benefit to the bush at the expense of serious health problems in the cities," said Dr Hamilton. *"This is not an example of mateship."*

NOTES TO EDITORS

1. The Australia Institute is an independent Canberra-based public policy research centre funded principally by grants from philanthropic trusts. The GST research was commissioned by the NSW Government's Sustainable Energy Development Authority.

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