

Attn: Chiefs of Staff, Tax writers

## **Anderson Errs on Bush Diesel Benefits**

The Howard Government is greatly exaggerating the benefits to rural and regional Australia of the fuel price cuts proposed in its New Tax System, according to a new analysis released today by the Australia Institute.

Minister for Transport and Regional Services, Mr John Anderson, told the House of Representatives on Tuesday that changes to excise arrangements for fuels will provide \$3.5 billion worth of benefits to rural Australia.

The Minister made two mistakes in making this claim. Firstly, his figures include revenue lost due to cuts in fuel excises but they exclude revenue gained from the GST on fuel. In fact, the government will forgo approximately \$2.4 billion, not \$3.5 billion.

Secondly, not all of the \$2.4 billion will benefit rural and regional Australia. A large portion of the benefit of fuel price cuts will stay in the cities. Although estimating the benefits to rural consumers is complex, 38% of diesel used by heavy vehicles is consumed in urban areas. Using this as a proxy for reduced freight costs, the benefit of the excise changes for rural and regional Australia will be in the order of \$1.5 billion per year, a large part of which will go to the mining industry.

“The Government could help regional Australia more by abandoning the excise changes and spending the \$2.4 billion saved directly on targeted programs,” said Australia Institute Executive Director Dr Clive Hamilton.

“In addition, Econtech, the Government’s preferred economic modeller, has estimated the total economic benefit of the GST package at \$607 million per year. If Mr Anderson’s \$3.5 billion of benefits to the bush were correct, then it would be possible only by draining \$2.9 billion out of the cities.”

Just as the Government has overstated the benefits of the fuel price cuts, it has also ignored some major costs. In its report tabled this week, the Senate Environment Committee said that the evidence that fuel price cuts will increase urban air pollution is “compelling” and that the implications for health are “profoundly disturbing”. The Committee referred to the Institute’s estimate of 65 additional deaths per year due to increased air pollution and transport accidents as “conservative”.

### **NOTES TO EDITORS**

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

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