

Attn: Chiefs of Staff, Tax writers

## **Diesel Policy Madness**

The Government should abandon the huge cut in the price of diesel proposed in the GST Package if major damage to the health of city dwellers is to be avoided.

In its report tabled in March, the Senate Environment Committee said that the evidence that fuel price cuts will increase urban air pollution is “compelling”, that the implications for health are “profoundly disturbing” and that the Australia Institute’s estimate of 65 additional deaths per year is “conservative”.

After months of silence, business groups are now lining up to attack the proposed fuel price changes. Critics include BP-Amoco, Caterpillar, AGL, Caltex, Ford Australia, NRMA, Australian Gas Association, Australasian Railway Association, Boral, the Australian Natural Gas Vehicle Council, International Trucks, and National Rail.

In a joint submission to the main Senate GST Committee, the AMA, the ACF 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 said that the health costs associated with the diesel price cut could exceed \$300 million per annum. “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.

“Slashing the price of diesel was a desperation election measure to staunch the haemorrhaging of support for the National Party. It was Hanson-induced policy madness. Not only will the fuel price cuts lead to more illness and deaths in the cities, they are contrary to the Kyoto Protocol and will nullify a number of other government programs. Nor will the diesel price cuts provide much benefit to the bush.”

Minister for Transport and Regional Services, Mr John Anderson, has seriously exaggerated the benefits of the fuel price cuts. Instead of the \$3.5 billion worth of benefits claimed, in fact the Government will forgo approximately \$2.4 billion. The Institute has estimated that only around \$1.5 billion of this will flow to regional Australia.

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

### **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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