

1984

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

BASS STRAIT FREIGHT ADJUSTMENT LEVY BILL 1984
BASS STRAIT FREIGHT ADJUSTMENT LEVY COLLECTION BILL 1984
BASS STRAIT FREIGHT ADJUSTMENT TRUST FUND BILL 1984

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister representing
the Minister for Resources and Energy, Senator the
Hon. Peter Walsh)

BASS STRAIT FREIGHT ADJUSTMENT LEVY BILL 1984

BASS STRAIT FREIGHT ADJUSTMENT LEVY COLLECTION BILL 1984

BASS STRAIT FREIGHT ADJUSTMENT TRUST FUND BILL 1984

OUTLINE

The three Bills are designed to implement the Government's decision to introduce a scheme to compensate refiners of crude oil produced from Bass Strait for certain costs incurred in transporting that oil to refineries.

Under the Bass Strait Freight Adjustment Levy Bill a tax of \$1.26 per kilolitre is imposed on unstabilised crude oil produced off-shore at certain installations in Bass Strait.

The Bass Strait Freight Adjustment Levy Collection Bill contains the necessary collection machinery for the levy. Clauses 4 and 5 of that Bill have the effect of:

- . providing for the levy to be collected on stabilised crude oil derived from unstabilised crude produced at certain installations in Bass Strait;
- . making such levy payments being payable at the same time as excise duty is payable upon stabilised crude oil pursuant to Section 6B of the Excise Tariff Act 1921.

Clause 6 has the effect of providing for certain relevant provisions of the Excise Act 1901 to apply to this levy as if it were a duty of Excise.

The Bass Strait Freight Adjustment Trust Fund Bill allows for the redistribution of the proceeds of the levy to eligible persons on a monthly basis. Rebates of the levy are to be made to the producers of that crude oil on that amount of oil that is subsequently exported and that amount of oil determined to be the 'producers entitlement'. The remainder of the amounts in the Trust Fund are divided between the domestic refiners of crude oil in proportion to their assessed costs of

transporting the crude oil from Westernport in Victoria to the refinery at which it is refined.

Details of the arrangements relating to these Bills have been discussed with the Bass Strait producers of crude oil and with the oil refiners.

NOTES ON CLAUSES

(1) Bass Strait Freight Adjustment Levy Bill 1984

- clause 1 - Formal.
- clause 2 - Commencement date to be 1 January 1984. This is the date from which the Government announced that the Bass Strait Freight Adjustment levy is to apply.
- clause 3 - Provides for the Collection Act to be read as one with this Act.
- clause 4 - Defines a number of terms for the purposes of the Act and in particular defines Australian installation. Section 5 of the Customs Tariff Act 1982 sets out the circumstances under which installations are deemed to be part of Australia.
- clause 5 - Imposes the levy on unstabilised crude oil produced at an Australian installation in the Gippsland Basin in Bass Strait.
- clause 6 - Sets out the rate of levy.
- clause 7 - Provides for the levy to be paid by the producer of the oil.

(2) Bass Strait Freight Adjustment Levy Collection Bill 1984

- clause 1 - Formal.
- clause 2 - Commencement date to be the date of the Royal Assent.
- clause 3 - Defines a number of terms for the purposes of this Act.
- clause 4 - Provides, for the purposes of this Act, for the volume of unstabilised crude oil produced by a producer during a particular period to be taken to be equal to the volume of stabilised crude oil produced by that producer and entered for home consumption during that same period.

- clause 5 - Defines the time the levy is payable.
- clause 6 - Has the effect of providing for certain relevant provisions of the Excise Act 1901 to apply to this levy as if it were a duty of Excise.
- clause 7 - Regulation making power.

(3) Bass Strait Freight Adjustment Trust Fund Bill 1984

- clause 1 - Formal.
- clause 2 - Commencement date to be the date of Royal Assent.
- clause 3 - Defines a number of terms for the purposes of this Act.
- clause 4 - Establishes a Trust Fund which is to be a Trust Account for the purposes of Section 62A of the Audit Act 1901.
- clause 5 - Appropriates to the Trust Fund from the Consolidated Revenue Fund an amount equivalent to the proceeds from the adjustment levy received by the Commonwealth
- clauses 6 to 11 - Determine the method of payment to eligible persons of monies in the Trust Fund.
- clause 6 - Determines those persons eligible for payments from the Trust Fund, and allows for monthly payments to them. Such monies are to be divided among those producers of Bass Strait crude oil which exported crude oil, producers of Bass Strait crude oil who retained crude oil for their own use or for their own disposal under the provisions of the Crude Oil Allocation Scheme, and those refiners that have refined Bass Strait crude oil.
- clause 7 - Determines the amounts payable to the producers of Bass Strait crude oil on oil subsequently exported or retained for their own use or disposal. Such

amounts would be equal to a full rebate of the levy on such oil.

- clauses 8 and 9 - Determines the monthly amounts payable to each refiner for oil owned by that refiner and transported to a refinery.

Sub-Clause 9(1) specifies the procedures by which the Minister for Resources and Energy will calculate each refiners share of the determined amounts payable from the Trust Fund. These include the unit freight rate for transporting oil to each refinery by ship or by pipeline as appropriate, together with the percentages of the amount of crude oil transported to refineries for refining that is owned by each refiner. The determination of the freight rate for transporting oil by sea is to be based on published information on the Average Freight Rate Assessment and Worldscale rates for a LRI tanker (up to 80,000 tonnes capacity) together with an allowance for insurance and loss at the rate of 0.6 percent of the sum of the import parity price plus the assessed freight rate. The freight rate appropriate to movements of oil by pipeline are to be based on actual pipeline charges. Paragraph 9(1)(d) shows how the determination is made of the percentage of the Freight Adjustment Fund payable to each refiner for oil sent to each refinery, using the freight rates and percentages determined by the Minister.

Sub-Clauses 9(2) to 9(4) allow determinations of those matters necessary to calculate each refiner's share of the amounts payable from the Trust Fund with effect from the first day of the month immediately following the month in which this Act comes into operation and subsequent determinations on the first days of January and July each year. The Minister may make additional determinations at other times.

- clause 10 - Specifies the factors that the Minister shall have regard to when determining the unit freight rates of oil transported by ship. This assessed freight rate is to be based on published freight rates, and allowance for insurance and loss of oil when transported by ship and such other matters as the Minister considers appropriate.

- clause 11 - Allows for payments to be made from the Freight Adjustment Fund to producers and refiners that relate to the period from 1 January 1984.

- clause 12 - Regulation making power.