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THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

AVIATION FUEL REVENUES (SPECIAL APPROPRIATION)
AMENDMENT BILL 1992

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Minister for Transport and
Communications, Senator the Hon. Graham Richardson)

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GENERAL OUTLINE

The Aviation Fuel Revenues (Special Appropriation) Amendment Bill 1992 (the Bill) will amend the Aviation Fuel Revenues (Special Appropriation) Act 1988 (the Principal Act) to restructure the formula under which a portion of the revenue received by the Government from excise and customs tariff duties on aviation gasoline (aviation fuel revenues) is appropriated to the Civil Aviation Authority (the Authority).

Aviation fuel revenues are currently used to offset costs incurred by:

- . the Commonwealth in providing aerodrome facilities and funding under the Aerodrome Local Ownership Plan; and
- . the Authority in providing airways facilities and services.

The Principal Act appropriates to the Authority a portion of the aviation fuel revenues received by the Government.

The Principal Act contains a formula under which the Commonwealth retains a set proportion of aviation fuel revenues with the remainder being paid to the Authority. This formula does not allow the phasing out of the Commonwealth portion of aviation fuel revenues as the Commonwealth withdraws from financially supporting aerodromes.

The purpose of the current amendments is to restructure this formula to preserve the level of the Authority's aviation fuel revenues as the Commonwealth portion is phased out. The amendments also contain provisions which will enable payments to the Authority to be adjusted in the event that the rates of excise and customs tariff duties are reduced after introduction but before commencement of the Act.

FINANCIAL IMPACT

The amendments proposed by the Bill will not result in any immediate change to the revenue entitlements of the Authority or the Commonwealth. However, the amendments will facilitate reductions in the rate of excise and customs tariff duties on aviation gasoline and will allow the Commonwealth's portion to be phased out as the number of aerodromes financially supported by the Government is reduced.

NOTES ON CLAUSES

Clause 1 - Short title, etc

Subclause 1(1) provides for the proposed Act to be cited as the Aviation Fuel Revenues (Special Appropriation) Amendment Act 1992.

Subclause 1(2) provides that, in this Act, "Principal Act" means the Aviation Fuel Revenues (Special Appropriation) Act 1988.

Clause 2 - Commencement

This clause provides that the Act commences on the day on which it receives the Royal Assent.

Clause 3 - Interpretation

Section 3 of the Principal Act contains definitions of terms used in, and rules for the interpretation of, that Act.

This clause inserts a new definition of "statutory rate" which is used in the amended section 4 of the Principal Act to calculate the amount of aviation fuel revenues paid to the Authority.

"Statutory rate" is defined as the lowest of three possible rates:

- . the relevant rate or such greater rate jointly fixed by the Minister and the Authority pursuant to new subsection 3A(1);
- . the rate of aviation gasoline excise and customs duty received by the Commonwealth;
- . a lower rate jointly fixed by the Minister and the Authority pursuant to new subsection 3A(2).

The clause also redefines "relevant rate" from the rate used to determine the amount retained by the Commonwealth to a rate used to determine the statutory rate.

Clause 4 - New section 3A

This clause inserts a new section 3A into the Principal Act which will enable the Minister and the Authority to make joint written determinations adjusting the rate to enable the Authority to vary the amount of revenue it receives for cost recovery purposes.

Subclause 3A(1) will enable the Minister and the Authority to make a joint written determination fixing a rate which is greater than the relevant rate. This will enable the Authority to increase its revenue through increases in the rates of excise and customs duties by agreement with the Minister.

Subclause 3A(2) will enable the Minister and the Authority to make a joint written determination fixing a rate which is lower than the relevant rate. This will enable the Authority to reduce its revenue through decreases in the rates of excise and customs duties by agreement with the Minister.

Subclause 3A(3) provides that determinations under subsections 3A(1) or 3A(2) may be indexed.

Clause 5 - Money to be paid to Civil Aviation Authority in relation to aviation fuel

Section 4 of the Principal Act contains the formula under which the Authority is paid a proportion of aviation fuel revenues and appropriates that amount to the Authority. Under the existing formula, the Commonwealth retains an amount calculated on an indexed rate of 2.393 cents per litre of eligible aviation fuel with the balance being paid to the Authority.

This clause amends the basic formula contained in subsection 4(1) of the Principal Act by providing that the Authority shall be paid an amount equal to the statutory rate multiplied by the number of litres of eligible aviation fuel.

The clause also makes consequential amendments to subsection 4(2) of the Principal Act. Subsection 4(2) reduces the payments to the Authority to take account of any refunds of duty by the Commonwealth.

Clause 6 - Indexation of relevant rate

Section 5 of the Principal Act indexes the relevant rate to correspond with the indexation of the rate of duty applicable to aviation gasoline pursuant to subsection 6A(5) of the Excise Tariff Act 1921.

This clause replaces the initial indexation date of 1 August 1988 with 1 August 1992. This is consequential upon the redefinition of "relevant rate" in section 3 of the Principal Act.

**Clause 7 - Application of amendments:
post-commencement payments to the Commonwealth**

This clause is an interpretive provision which clarifies that the amendments made by the Bill apply in relation to amounts paid to the Commonwealth on or after the date of commencement.

Clause 8 - Special payment to Civil Aviation Authority

This clause is a transitional provision which enables an additional amount to be paid to the Authority, on the basis of the amended formula, in the event that the rate of excise or customs duty is reduced in the period commencing on a specified day after the introduction of the Bill and ending immediately before the commencement of the Act (the interim period). This payment will supplement the amount paid to the Authority under the existing formula. In the absence of such a provision, the Authority would be financially disadvantaged by a reduction in the rate of excise or customs duties before commencement of the Act.

Subclause 8(1) defines certain terms for the purposes of this clause.

Subclause 8(2) enables the notional backdating of the first determination made under subsections 3A(1) or (2) to any specified time during the interim period.

Subclause 8(3) enables the rate of excise to be reduced before the Act commences without disadvantaging the Authority. In this case, it enables an additional payment to the Authority equal to the amount by which the amount payable under the amended formula exceeds that actually paid under the existing formula.

Subclause 8(4) appropriates this amount from the Consolidated Revenue Fund.



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