

1987

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

BASS STRAIT FREIGHT ADJUSTMENT TRUST FUND
AMENDMENT BILL 1987

BASS STRAIT FREIGHT ADJUSTMENT LEVY
AMENDMENT BILL 1987

EXPLANATORY MEMORANDUM

(Circulated by authority of the
Minister for Primary Industries and Energy
the Hon. John Kerin, MP)

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OUTLINE

Three Acts of Parliament provide the legislative framework for the Bass Strait coastal freight adjustment scheme. The Bass Strait Freight Adjustment Levy Act 1984 imposes a levy on crude oil produced in the Gippsland Basin, the Bass Strait Freight Adjustment Levy Collection Act 1984 provides for the collection of the levy by the Australian Customs Service and the Bass Strait Freight Adjustment Trust Fund Act 1984 specifies the terms and conditions by which the revenue collected and paid into the Trust Fund is disbursed between refiners and the Bass Strait crude oil producers.

2. The scheme provides partial compensation to refiners for the cost of transport by sea or pipeline of allocated crude oil (Bass Strait crude oil purchased at Westernport in those volumes and at the import parity price determined by the Government) to their refineries for processing. The amount of compensation is based on the actual transport cost incurred by refiners in transporting their allocated oil from Westernport to their refinery.

3. The amendments proposed in the three Bills arise from the Government's decision to deregulate the crude oil market in Australia from 1 January 1988. It is anticipated that at 31 December 1987, some refiners may not have fully met their crude oil lifting obligations under the crude oil allocation scheme which requires refiner/marketers to lift a specified share of the volume of crude oil that is allocated to refiners by the Government. Those refiners which have not met their Bass Strait lifting obligations as at 31 December 1987 will be required to continue to purchase Bass Strait crude oil in 1988, under the conditions prevailing for December 1987, until their obligation is cleared. The amendments proposed will enable the Bass Strait coastal freight adjustment scheme to be continued in a modified form until all refiners have met their lifting obligations.

FINANCIAL IMPLICATIONS

4. The amendments to the scheme have no financial implications for the Commonwealth. The scheme is funded by a levy imposed on liftings of Bass Strait crude oil, the proceeds of which are redistributed to the refiners and the Bass Strait producers.

BASS STRAIT FREIGHT ADJUSTMENT TRUST FUND AMENDMENT BILL 1987NOTES ON CLAUSESClause 1: Short title etc

5. Sub-clause 1(1) cites the short title as the Bass Strait Freight Adjustment Trust Fund Amendment Act 1987. Sub-clause (2) identifies the Principal Act being amended as the Bass Strait Freight Adjustment Trust Fund Act 1984.

Clause 2: Commencement

6. Clause 2 indicates when the various amendments will have effect. The amendments contained in clause 1 and 2 come into operation on the day on which the Act receives Royal Assent, clause 5 and subclause 8(1) come into operation, or shall be deemed to have come into operation as the case requires, on 1 December 1987. The remaining provisions shall come into operation on 1 January 1988.

Clause 3: Interpretation

7. Paragraph (a) of this clause extends the six month base period in which the notional cost of transporting crude oil from Westernport to various refineries is determined, thereby allowing the scheme to be extended beyond 31 December 1987 and until such time as refiners' 1987 lifting obligations under the crude oil allocation scheme, are met.

8. Paragraph (b) defines various terms used in the Bill.

Clause 4: Money to be paid into Freight Adjustment Fund etc

9. The amendment to the Principal Act provides for the amounts of levy that are deemed to have been collected under the Bass Strait Freight Adjustment Levy Collection Act 1984, to also be deemed to have been paid into the Freight Adjustment Fund.

Clause 5: Application of Freight Adjustment Fund

10. The amendment to section 6 of the Principal Act means no payment from the Freight Adjustment Fund will be made to refiners in December 1987. The final payment to refiners from the fund will be made after all refiners have met their lifting obligations under the crude oil allocation scheme that arose in 1987, in accordance with the provisions contained in clause 6. However, disbursements from the Trust Fund to eligible producers for their free market sales made during December 1987 will be deferred only until the end of January 1988.

Clause 6: Application of Freight Adjustment Fund, Amounts payable to producers and prescribed refiners, and Advances on account of payments out of Freight Adjustment Fund

11. This clause replaces sections 6 and 7 of the Principal Act with new sections 6 and 7 and inserts a new section 7A with effect from 1 January 1988.

12. The new sub-sections 6(1), 6(2) and 6(3) prescribe those producers and refiners eligible for payments from the Freight Adjustment Fund after 1 January 1988.

13. The new sub-section 6(4) and 6(5) provide for any arrears payable to the Freight Adjustment Fund being made on the basis of the levy rate prevailing at the time of the arrears and disbursed on the conditions in place in the month when the original payment was made.

14. The new section 7 provides the basis for determining the total amount to be paid to producers and prescribed refiners in a period with effect from 1 January 1988.

15. New section 7A provides for the freight adjustment levy to be collected from producers only on the balance of allocated prescribed oil lifted after 1 January 1988.

Clause 7: Amounts payable to relevant refiners

16. This clause replaces section 8 of the Principal Act with new section 8. Section 8 describes how the total amount of moneys payable to relevant refiners is determined.

Clause 8: Calculation of refiners' percentage of Freight Adjustments Fund

17. Clause 8 provides for the payment for the final period covered by the scheme to be in respect of crude oil liftings by relevant refiners in December 1987 and liftings made after that month to fulfill obligations under the crude oil allocation scheme that arose in 1987. The various amendments to section 9 of the Principal Act allow the final payments from the Freight Adjustment Fund in respect of these liftings to be made after all lifting obligations under the crude oil allocation scheme have been satisfied.

BASS STRAIT FREIGHT ADJUSTMENT LEVY AMENDMENT BILL 1987

NOTES ON CLAUSES

Clause 1: Short title etc

18. Sub-clause 1(1) cites the short title as the Bass Strait Freight Adjustment Levy Amendment Act 1987. Sub-clause (2) identifies the Principal Act being amended as the Bass Strait Freight Adjustment Levy Act 1984.

Clause 2: Commencement

19. The date of commencement of the legislation is 1 January 1988.

Clause 3: Rate of levy

20. Section 6 of the Principal Act is repealed and a new section substituted. Clause 3 sets the procedures to be followed where the Minister determines an adjustment levy rate, other than the current rate of \$1.78 per kilolitre. The clause also provides for the Minister to determine a nil rate of adjustment levy - this will apply after all refiners have met their lifting obligations.

