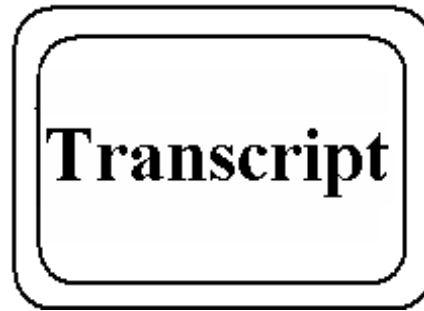




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Senator Nick Sherry
Assistant Treasurer

Radio 3AW
Interviewer: Neil Mitchell
17 May 2010

E&OE – PROOF ONLY

SUBJECTS: Excise on alternative fuels and LPG inquiry

NEIL MITCHELL: I mentioned on Friday, I mentioned again today the excise to be introduced on LPG, which will affect filling up your car and affect people in rural areas, I spoke to the industry on Friday and on the line is Assistant Treasurer, Senator Nick Sherry. Good morning.

NICK SHERRY: Morning Neil, good morning to your listeners.

MITCHELL: This won't do much for working families will it?

SHERRY: Well, the policy was announced back in 2003, and then...

MITCHELL: By the Howard Government?

SHERRY: Yes, it was originally to apply from 1 July 2008 and then in 2004 it was re-announced to apply from 1 July 2011. And the revenue that is raised from the additional excise - albeit there will still be a discount, there will be excise but it will be lower than other fuels - will apply from 1 July 2011 and the revenue was actually put in the forward estimates for budgets.

MITCHELL: But the new government doesn't always embrace the decisions and policies of the old government, that haven't been implemented - why did you embrace this one?

SHERRY: Well we confirmed back in, when the original announcement was made by the former Treasurer Mr Costello that we would support that, from originally July 1 2008, and then when it was re-announced to apply from 1 July 2011, again we re-affirmed that, and the revenue figures went into the budget for future years. If we

were to not proceed with the former government's policy it would cost a billion dollars in revenue.

MITCHELL: A billion dollars over how long?

SHERRY: Over five years.

MITCHELL: All right, but I just make the point, you're masters of your own destiny, if you didn't want to do it, you didn't have to do it.

SHERRY: Well as I said, one of the difficulties with this measure is the revenue went into the forward estimates; if we didn't proceed we'd retrospectively have to remove the revenue from previous budgets, which would be ridiculous. And there'll still be a discount, they'll still be a discount on alternative fuels. The level of excise that applied on alternative fuels will be 50% less than ...

MITCHELL: Yeah I understand that, but just back to the point can you explain to these working families that so concerns the Government?

SHERRY: Well as I've said, we've just handed down what we argue is a responsible Budget, brings the Budget back in surplus. If we were to retrospectively remove a revenue measure that was announced by the previous government ...

MITCHELL: I mean how would are you retrospectively removing ... (inaudible)

SHERRY: The revenue's been in the forward estimates. But that revenue, that revenue Neil, is still in the out years from 2011, 1 July 2011. It's been included in past budgets' future revenue estimates.

MITCHELL: Yeah, but they change - I can't see why if you wanted to you couldn't just dump it?

SHERRY: Well we can't dump it because it's a billion dollars in revenue on the forward estimates of the Budget.

MITCHELL: Yeah, you can say you want it and you need it, but you're not sort of wedded to it because what the Howard Government did.

SHERRY: Well they announced it, we agreed to it.

MITCHELL: See, they denied that. Where did they announce it? Was it in the budget? I can't find it in the budget... what page?

SHERRY: It was. In fact I can send you the copies of the budget announcements, Budget Paper Number 2 2003/04 Attachment A, and then Budget Papers 2004/05 revenue, I can send you a copy of those three budget papers, I've got in front of me here from that period and it's clearly announced as a measure in those Budget papers.

MITCHELL: I'm sure that you know that former Minister Ian McFarlane is saying it was a White Paper which was introduced, it was never put into the forward estimates and never legislated. It wasn't legislated, was it?

SHERRY: Correct, it wasn't legislated, but it was put into the revenue estimates and clearly appears as a Budget item. Now I don't know where Ian was, he was a minister at the time, but he must have been very, very well aware of the measure when it was announced because he was sitting opposite Treasurer Costello in the Cabinet room when these measures were discussed.

MITCHELL: But I just get back to the point, I don't think it's quite fair to say that's all the fault of Howard and Costello. You could change this is you wanted to, couldn't you?

SHERRY: We could change it, but the cost to revenue going forward and the cost to our Budget would be a billion dollars. And that's just not a cost we can bear.

MITCHELL: Yeah, but you're balancing your books in all sorts of other ways, you're introducing a new tax, the 40% tax, you're introducing other changes, and this is just a change you've chosen not to introduce.

SHERRY: Well we're also making a number of tax cuts over the forward estimates, company tax, superannuation tax.

MITCHELL: Sure, I recognise that, it's all part of your balancing act. And part of your balancing act is that you leave on a tax as yet which hasn't come in, on LPG. You can't blame the Howard Government, I mean yes, they foreshadowed it, they wrote it in all sorts of ways that you say, I accept that, but you have the option, taking over the tax, hasn't even started, you've got the option not to go ahead with it.

SHERRY: Well, we could defer it, or not go ahead with it, as the former government said, just defer it for another three or four years, but we wanted a Budget surplus in three years' time. There'll still be a discount on alternative fuels, there'll still be a 50% discount, there'll still be a significant price differential between alternative fuels, and the most commonly used is gas obviously, vis a vis petrol. There will still be a significant incentive for those that continue to use alternative fuels. But the bottom line is that we want the Budget in surplus in three years' time, three years earlier, and to knock a measure out like this – albeit from the previous government – would cost a billion dollars in revenue and that was the decision taken by the Expenditure Review Committee and we reaffirm that.

MITCHELL: How much did you spend encouraging people to convert their cars to LPG?

SHERRY: Well the cost of ... the price differential if you like, between alternative fuels, LPG, and petrol, is the incentive, is an incentive for people to have converted to gas and many people have done that.

MITCHELL: But you were giving them money to convert, weren't you? There was a rebate if you converted.

SHERRY: Yes there was a special rebate for gas conversions and I think under the former government, that has continued. But I don't know the actual payment or incentive in addition to fuel discount that applied to alternative fuel, I don't know the precise figure Neil.

MITCHELL: Ok, we accept it's a new tax, and it's a new tax endorsed by this government.

SHERRY: Correct. And announced by the previous government, and supported by the previous government. If they want to now renege on their previous announcement, which was included in revenue in the forward estimates ...

MITCHELL: But you're driving the ship, not them. All right, they've come up with it, you say it's in the papers, they'd come up with WorkChoices but you dumped that. You can dump what you like.

SHERRY: Well, because we endorsed the 50% tax discount on alternative fuels when it was announced back in 2003/2004. We supported the policy of the former government. And as I've said, the revenue's been in the forward estimates and we've decided to continue with that policy. If the Opposition now want to abandon their former policy that's up to them.

MITCHELL: I don't know what they want to do, I haven't asked them. What we have here is a billion dollar new tax.

SHERRY: Phased in over the four years of the forward estimates from 1 July 2011, it's gradually phased in, there'll still be a discount of 50% on the tax level.

MITCHELL: Sure.

SHERRY: But that will be phased in from 1 July 2011.

MITCHELL: But what we have here is a one billion dollar new tax, which was all but hidden in the Budget.

SHERRY: Well I don't accept that it was hidden. When a tax increase or a new tax is announced it's put in the Budget, and it's put in the forward estimates as revenue to start from whatever date it applies.

MITCHELL: Sorry, was there any announcement from Government anywhere saying this new tax will apply?

SHERRY: Well until last Thursday morning when I put out a press release there were queries about what is the status, there were queries to my office.

MITCHELL: Fair enough. The budget was delivered on Tuesday with a billion dollar new tax and you put out a press release on Thursday ...

SHERRY: Because the tax ... the revenue from the alternative fuels has always been in the forward estimates. And there were queries last week, and I said to my office, look, there have been queries about whether or not the new tax that was

announced back in 2003/2004 to apply from 1 July next year ... there were queries to my office ... and I said we'd better reconfirm it.

MITCHELL: Do you have to look back on every policy the previous government announced and see whether you're continuing with it or not?

SHERRY: Well obviously when there's an impact, when there's an impact on revenue or the expense side of the Budget you have to reconfirm it - because those revenue or expense measures are put in the forward estimates.

MITCHELL: Thank you for your time, Assistant Treasurer Nick Sherry. The fact is it's a billion dollar new tax, it wasn't legislated previously, now it will be. The Government, any way you look at it ... in my view any way you look at it they are introducing a new, one billion dollar tax on LPG.