John Howard's ideological scam in 1978 that gouges Australian drivers to this day

By Robert Barwick

Australia's current high fuel prices and insanely low fuel reserve is a direct consequence of four decades of neoliberal ideology.

The *AAS* has documented how Australia was close to self-sufficient in oil before 2004, but since then the narrative is that our reserves are depleted ("Fuel price crisis a bipartisan policy failure", *AAS*, 16 March 2022). However, as author Richard Bardon noted: "Australia possesses sufficient oil reserves that were they properly managed—ideally via nationalisation, and development by a Commonwealth statutory authority—we could reclaim our former self-sufficiency in petroleum fuels indefinitely into the future."

Last week, Melissa Harrison documented how the Whitlam government established just such a Commonwealth authority, the national Petroleum and Minerals Authority, to develop domestic exploration, extraction and processing of oil and other resources. The PMA was at the centre of the USA's and British Crown's attacks on Whitlam's government, however, intent as they were to maintain British and American corporate control of Australia's resources. Following the 1975 coup orchestrated by the US embassy and the Crown, the Fraser government quickly scrapped the PMA.

Another action of the Fraser government, rammed through by Treasurer John Howard, almost takes the cake as an example of pure ideology inducing the nation to act against its own interest. It shows the extent to which neoliberals went to invent twisted "free market" rationales to justify their agenda.

Imagine a country that is a large island, self-sufficient enough in oil that local fuel prices are much lower than most of the rest of the world, but then the government decides it would be a good idea to set fuel prices at the higher world level anyway. Why? Because then the global "market" price would "encourage economical use of a scarce resource". That's what Australia did.

In 1978, the maximum petrol price in Australia was 21 cents per litre. By contrast, Italians were paying 49 cents per litre, the French and Japanese 44 cents, and consumers in the UK were paying 28 cents. By any measure this was a competitive advantage for Australia, but it was also the free market, where the prices reflected the actual cost of producing the fuel locally.

Treasurer John Howard decided that this was a problem. He proposed that Australia should adopt "import-parity" pricing—local fuel prices should be set at what it costs to import fuel from overseas. There were two shameless ulterior motives for this proposal: more taxation revenue for the government; and more profits for the oil companies producing oil in Australia. Howard just had to create an economic pretext to swing it.

According to an ABC Business report by Gareth Hutchens on 29 October 2021:

"But Mr Howard said Australian motorists were getting petrol too cheaply. He announced a plan that all Australian-produced crude oil would have to start being sold to local refineries at the same price as it cost to import crude oil from overseas. It meant consumers would have to start paying prices based on world oil prices; they'd no longer

Left: Treasurer John Howard played on ideology to scam Australians into paying more for fuel. Right: Esso's (Exxon-Mobil) Marlin oil rig in Bass Strait. Esso profited massively from the scam. Photos: Screenshot

be able to enjoy cheap oil from their own domestic supply.

"'Since the OPEC countries quadrupled the world price of crude oil in 1973-74, Australians have continued to enjoy *artificially low prices for crude oil*', he said. 'While the rest of the world was facing up to the inescapable fact that the days of cheap energy were over, Australians—even after the imposition in the 1975-76 budget of a $2 per barrel production levy—were continuing to pay less than half of the world price for Australian-produced crude oil. Subsidised indigenous oil prices *encouraged a wasteful use* of a key energy resource and inhibited the adoption of more energy-efficient processes and technologies. In recognition of this the government moved last year towards a more realistic pricing policy for Australian-produced crude oil." (Emphasis added.)

If you didn't know better, you'd be forgiven for thinking John Howard was a full-blown greenie, given how similar the argument is to that made by advocates of a carbon tax to combat climate change. But he wasn't arguing to protect the planet—he was arguing for an ideological economic theory!

In *The Bulletin* magazine of 29 January 1980, Peter Samuel reported on the ongoing debate over this policy, couching the debate in the same ideological terms. He noted that the government's Energy Minister, Senator John Carrick, "makes an unassailable case for the principle of adopting the international price *in order to encourage economic use of a scarce resource*". (Emphasis added.)

To underscore how ideological John Howard's argument was, he went so far as to call the lower prices that Australians paid for fuel in 1978 "a subsidy to petroleum product users [car drivers] of some $800 million". Subsidy is a dirty word to neoliberals, but to be clear, there was no actual subsidy, as the price was the market price based on the actual extraction cost of locally produced oil. John Howard invented a fictional, theoretical "subsidy" argument to create a fake market mechanism.

By convincing his colleagues to accept this purely ideological economic policy, John Howard was able to propose a tax to make Australians pay more for petrol for no real market reason, but which he projected would net the government an extra $676 million in revenue in 1978-79. It was also a windfall for the Esso (Exxon-Mobil)-BHP oil drilling operation in the Bass Strait, which was extremely low-cost oil, and therefore already very profitable, but ESSO-BHP would thereafter enjoy profits based on the much higher global oil prices.

Australians have been paying for it at the petrol bowser ever since.