

Motor Trades Association of Australia

Ms Brenda Berkeley
General Manager
Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Ms Berkeley

I am writing to you on behalf of the Motor Trades Association of Australia (MTAA). MTAA is the peak national representative organisation for the retail, service and repair sector of the Australian automotive industry. The Association is a federation of various state and territory motor trades associations as well as the Australian Automobile Dealers Association.

The purpose of my writing to you is in connection with the Discussion Paper on Alternative Fuels Taxation recently released by the Treasury. I thank you for the opportunity to provide Treasury with comments on that Paper.

MTAA understands that the Discussion Paper is focused on the identification of points of taxation rather than broader policy matters relevant to the taxation of alternative fuels. MTAA suggests, though, that each of the two topics nevertheless have subtle points of intersection and affects upon each other. It is for that reason that the Association's comments in this submission are more general in nature. That situation is to also acknowledge that the vast majority of fuel retailers are invariably downstream of the taxation points and which are the focus of the Paper.

MTAA considers that the widespread use of biofuels and alternative fuels would deliver substantial benefits to the environment. Those fuels include liquefied petroleum gas (LPG), liquefied natural gas (LNG), ethanol fuel blends, biodiesel and compressed natural gas (CNG). MTAA supports the introduction of measures that will help to increase the use of these fuels throughout Australia, including the use of sustainable practices by producers of alternative and bio-fuels.

To encourage uptake of alternative fuels and biofuels, the Association believes it is important that the Government encourage the production of these fuels and assist in the development of the necessary infrastructure for the production of these fuels. MTAA considers that it is important that government policies dealing with all alternative fuels do not discriminate between the various fuels.

It is the Association's view, therefore, that any mechanisms put in place by the Government for the application of taxation to alternative fuels be done so with simplicity and consistency as

important guiding principles. In that regard, MTAA would support mechanisms whereby the 'double handling' of monies through an excise / grant / rebate offset scheme is eliminated or minimised. MTAA would support the removal of rebates and like measures and for the rates of excise to be expressed in the appropriate legislation or regulation.

Additionally, it would seem to the Association that the application of any excise – if required – is best and most efficiently applied as upstream within the supply chain as is possible. To do so minimises the overall compliance burden simply by minimising the points of collection, administration and compliance itself. Anecdotal yet reliable evidence also seems to suggest those points upstream of distribution are able, in most instances, to readily identify which volumes of product are supplied for specific end uses.

In keeping with the Association's view of the need for simplicity and consistency in arrangements is the further suggestion that alternative fuels need to be excised equally on the basis of comparative energy content. While MTAA acknowledges that principle as the stated intention of the taxation policy and, therefore, to be supportive of that policy, it is nevertheless suggested that further consideration may be required with respect to the excise treatment of CNG. MTAA's preference would be for CNG to be excised on the same basis as other fuels in that the excise rate makes reference to a comparable unit of measure to that used for LPG, LNG, and ethanol or, for that matter, any other fuel; unless, of course, there is some technical impediment to so doing.

MTAA notes that successive governments have made various policy decisions, through the operation of grants and rebates, to encourage the uptake of alternative fuels and, in particular, the domestic production of ethanol. The Association might consider, though, the effectiveness of those measures in terms of the outcomes thus far evidenced. It must be remembered that the effectiveness of those measures must also be considered in the context of the mandates for ethanol fuel being introduced by the New South Wales Government, and those considered, though now suspended, by the Queensland Government.

That is not so much as to reflect upon those policy decisions and their worth or otherwise. Rather it is to acknowledge that those policy decisions are nevertheless linked to the consideration of matters such as excises, their application, quantum and their point of collection.

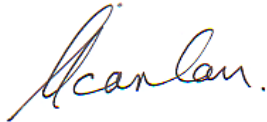
In summary, MTAA supports the introduction of measures that will help to increase the use of alternative fuels and measures that encourage the uptake of them. The Association believes it is important that the Government also encourage the production of those fuels and to assist in the development of the necessary infrastructure for that production. MTAA considers, however, that it is important that government polices dealing with all alternative fuels do not discriminate between the various fuels.

MTAA believes that the mechanisms to be applied for the taxation of alternative fuels be developed with the guiding principles of simplicity and consistency in mind and with a goal of reducing as far as possible the administrative and compliance burden on small businesses. MTAA considers this to perhaps best be achieved through the application of any excise to be made as far as practicable upstream in the supply chain and for that excise to be the result of a

calculation aimed at obviating – as far as possible – the application of any subsequent rebate or grant.

I again thank you for the opportunity to provide Treasury with comments on the Discussion Paper. If there is any further information or clarification of the Association's views that you require in this regard, please have no hesitation in contacting me at any time of your convenience.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Sue Scanlan".

SUE SCANLAN
A/g Executive Director

11 November 2010