



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ECONOMICS LEGISLATION COMMITTEE

**Reference: Diesel and Alternative Fuels Grants Scheme  
(Administration and Compliance) Bill 1999 and Taxation Laws  
Amendment Bill (No. 9) 1999**

THURSDAY, 18 NOVEMBER 1999

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**SENATE  
ECONOMICS LEGISLATION COMMITTEE**

**Thursday, 18 November 1999**

**Members:** Senator Gibson (*Chair*), Senator Murphy (*Deputy Chair*), Senators George Campbell, Chapman, Murray and Watson

**Substitute members:** Senator Greig for Senator Murray

**Participating members:** Senators Abetz, Boswell, Brown, Brownhill, Calvert, Conroy, Coonan, Crane, Eggleston, Faulkner, Ferguson, Ferris, Harradine, Knowles, Lightfoot, Lundy, Mason, McGauran, Parer, Payne, Quirke, Ridgeway, Schacht, Sherry, Tchen and Tierney

**Participating members for this inquiry:** Senator Allison

**Senators in attendance:** Senators George Campbell, Conroy, Gibson, Greig and Murphy

**Terms of reference for the inquiry:**

Diesel and Alternative Fuels Grants Scheme (Administration and Compliance) Bill 1999 and Taxation Laws Amendment Bill (No. 9) 1999

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**Committee met at 9.33 a.m.**

**CHAIR**—Today the committee is considering the Diesel and Alternative Fuels Grants Scheme (Administration and Compliance) Bill 1999 and the Taxation Laws Amendment Bill (No. 9) 1999. The committee's scheduled reporting date for both bills is 30 November 1999. This is a public hearing and, as such, all members of the public are welcome to attend. Today we will be taking evidence from witnesses who have made submissions concerned with certain provisions of the bills. We will also receive a response from government officials on comments made during the hearing. To assist all parties involved with the inquiry I propose that the committee agree to public release of all submissions received during the inquiry, except those to which confidentiality applies. There being no objection, it is so ordered.

Before we commence taking evidence I wish to state for the record that all witnesses appearing before the committee are protected by parliamentary privilege with respect to evidence provided. Parliamentary privilege refers to the special rights and immunities attached to the parliament or its members and others necessary for the discharge of the parliamentary functions without obstruction and fear of prosecution. Any act by any person which operates to the disadvantage of a witness on account of evidence given by him or her before the Senate or any of its committees is treated as a breach of privilege.

[9.34 a.m.]

**APPS, Mr Michael Shane, Australian Trucking Association**

**GUNNING, Mr Robert, Australian Trucking Association**

**CHAIR**—I welcome representatives from the Australian Trucking Association. Do you wish to make any comments about the capacity in which you appear?

**Mr Apps**—I am the Deputy Chief Executive Officer of the Australian Trucking Association.

**Mr Gunning**—I am a member of the ATA's roads, charges and taxes key result area.

**CHAIR**—Do you wish to make an opening statement?

**Mr Apps**—The Australian Trucking Association provided a submission in relation to the amendments and, obviously, we are here in the context of addressing those amendments and the framework in which we are going to ultimately have the legislation, or the system that is being put forward to us, working. There were three key issues we felt needed to be addressed.

The first is the issue of off-road use or private roads and how that might best be addressed, in the sense that many of the remote and regional trucking operators in a large extent of their business use private roads, whether for livestock or other agricultural activities. So, whilst they are not eligible for the off-road rebate as it currently exists, they are actually penalised in the sense that the activities they might do in regional and remote Australia will not make them eligible for the diesel grants scheme. We think there is a substantial penalty there in relation to that.

The second is probably just a definitional issue in relation to moving in or out of metropolitan areas and who is eligible and who is not. The definition currently seems to imply that if you are travelling to a metropolitan area you will be eligible for the grant but if you are travelling out you will not be. There is a definitional issue there that we would like to raise.

The third key issue is the intent of the amendment in relation to heavy rigid vehicles. Whilst the intent of the act seems to be, 'Let's not have vehicles below 4.5 tonnes putting a trailer on the back of their vehicle and then becoming eligible for a grant,' at the end of the day the heavy end of the marketplace who currently have a singular use for their vehicle with a trailer may actually be outside of the terms of the definition. They are the three key issues that we would like to talk about today.

**CHAIR**—Have you made these points to the government or to any minister?

**Mr Apps**—We have.

**CHAIR**—And what has happened?

**Mr Apps**—In general we have found that, whilst they are relevant issues, the nature of the act so far has not allowed us to take it much further than that, except for talking about it.

**CHAIR**—Who have you seen—I might probe you further—and where is it currently at? Have you written to a minister?

**Mr Apps**—We have written to the Minister for Transport and Regional Services and Deputy Prime Minister, John Anderson, in relation to it, and it is being looked at. We are working closely with the Taxation Office as well in relation to these issues. We just felt it was important that we appeared today as well.

**Senator GREIG**—Would you, for our benefit, just give a case study, an example, of a situation where a truck driver would be attaching a trailer in a metropolitan area? Under what sort of circumstance might that occur?

**Mr Apps**—They would not necessarily be attaching a trailer. In fact, it is a singular-use vehicle that actually already has a trailer attached, which previously they would have felt would have been included within the diesel grants scheme. But now the nature of the definition in the act will actually exclude them while in fact that vehicle is registered as the truck and trailer. There are, for example, many furniture vehicles which—you might have noticed—might have a 16-tonne rigid vehicle on the front, but they, naturally for singular-use purposes, have the trailer attached, which takes them over the 20-tonne GVM. So the vehicles we are talking about are largely not attaching the trailer for the purpose of getting within the GVM; they are already out there working.

**Mr Gunning**—Maybe I could help, Senator, having some familiarity with Perth. It might be a rigid truck-trailer combination that picked up superphosphate, say, from Kwinana and ran out to Serpentine, which is inside the current defined conurbation for Perth. In those circumstances, the trailer on the back, whether you count it or not, might make the difference between whether that vehicle is in the 4.5- to 20-tonne bracket or is above that bracket—by counting or not counting the trailer—and whether that particular journey might or might not attract the diesel fuel grant or, if it was on some alternative fuel, the alternative fuel grant.

That is the sort of typical bulk cargo which is often carried by trucks of that kind, and they typically operate as a unit—a truck and a trailer together—so if you do not count the trailer, you pull the GVM, gross vehicle mass, down. Another very typical vehicle that operates in that area is what we in the industry generally call sand and gravel. A very typical example of that would be the Boral trucks you see running around. They are often quite strongly signposted—Boral or Pioneer—those sorts of trucks which have a truck at the front, a rigid truck as we call it, with a trailer on behind.

**Senator CONROY**—How are you going with your discussions with the tax office about the edges of the conurbation and where the metropolitan begins and ends?

**Mr Apps**—We are working with the tax office pretty closely in trying to work out what they might be and what our views are in relation to what is a metropolitan and what is not. I think, in general, our view is that a metropolitan area should not be so expansive that it starts to take in rural and regional communities and that really it should be largely based on where the densely populated areas are. Whether or not that is the extent of the local government areas within a metropolitan area, that is where we think it should be. We do not think that it should be so expansive that it restricts the uptake of the grant. What is in and what is out is always an interesting thing. To add to that, I think the issue in relation to what is and what is not a conurbation is an interesting area that we are trying to work out, and whether that a vehicle travels between Newcastle and Sydney—

**Senator CONROY**—A dictionary doesn't help?

**Mr Apps**—No, it does not actually. The dictionary definition is an interesting one in its own right.

It is not an easy thing, but we are working within a framework, and we think it is a workable thing that we can actually manage with the tax office. I guess some of those definitional issues are ones that we are working away on at the moment. I am sure we will come up with something that will be as simple as possible and that works.

**Senator CONROY**—How long do you think it is going to be before we see some certainty?

**Mr Apps**—Not in the too distant future.

**Senator GEORGE CAMPBELL**—How far is the not too distant future?

**Mr Apps**—Obviously the time frame is set. We have to be in place by July 2000, and we are working closely with the tax office trying to make sure that we come up with something that is going to be workable. No-one can deny that it is not a simple process, but I think we can come up with a workable solution, hopefully early in the new year.

**Senator CONROY**—What is your definition of an urban area?

**Mr Apps**—An urban area from my perspective—if the intent of the act and the intent of the legislation is what we are looking at—should be the densely populated area, which does not go, looking at the map, beyond what generally might be identified as the local government areas that surround the boundary of an urban centre. You have to remember, as well, that Sydney is as big as a lot of small countries. So you can make it as big and large as you want, whether it is the size of Israel or whatever it might be. We have to be sensible about it and provide the advantages that the tax package was intended to do in relation to reducing transport costs.

**Senator CONROY**—Are either of you from Victoria?

**Mr Apps**—No, fortunately!

**Senator CONROY**—It is a wonderful state. In my mind I have been trying to come to terms with the difference between Geelong and Ballarat. They are both about the same distance from the CBD and both accessed by a highway, but the legislation seems to imply that Geelong is part of the metropolitan sprawl, whereas Ballarat is not. Is that consistent with your understanding of the legislation at the moment?

**Mr Apps**—I think it comes down to what you might call your definition of what a conurbation is. One would hope that we are looking at reducing transport costs. For example, I mentioned Newcastle and Sydney. There is not much between them, but it does somehow look like they might be connected up. There is a lot of freight that moves between Newcastle and Sydney, just as it does between Geelong and Melbourne. I think, from an industry perspective, we would be hoping that we can sensibly look at what a conurbation is and separate those. From an industry perspective, I think between Geelong and Melbourne should necessarily be a distinct journey in its own right, not necessarily caught up within the metropolitan area, but these are the kinds of issues that we are working through with the tax office. How we best manage and make a simple system is going to be ultimately the issue.

**Senator CONROY**—If I was running a trucking company in Geelong and competing with a trucking company in Ballarat, am I going to be at a cost disadvantage?

**Mr Apps**—I will ask my economic adviser.

**Mr Gunning**—I think, if we get the systems in place, the answer would be no because it would rely on the journey that you are undertaking. The journey would be treated in the same way, and the base in a sense would be irrelevant as to whether or not you attracted the diesel fuel grant. If the system is right, the answer should be, no, it would not matter.

**Senator MURPHY**—Does that mean you are going to try to make the system the same?

**Mr Gunning**—No. I thought the question was: would there be any competitive disadvantage suffered by a business based in Geelong as compared with Ballarat?

**Senator MURPHY**—That is right. You said, if we get the systems in place—that is, you base it on the trip—you are talking about having the same application for the Ballarat based transporter as for the Geelong based one.

**Mr Gunning**—I will be a bit more explicit. Supposing the two companies were competing for a contract between Geelong and Melbourne as compared with a contract between Melbourne and Ballarat. Each of them should face the same cost basis, in principle. There is probably something else in your head and that is, if you are thinking about making a locational decision, if it was transport intensive and if you were using trucks between 4.5 tonnes and 20 tonnes, would you prefer to locate in Ballarat or Geelong? With all else being equal with the new regime for the next couple of years after 1 July 2000, the answer would be that you would prefer to locate in Ballarat.

**Senator CONROY**—This comes to the heart of your amendment that you are proposing. Could you outline a little more your concerns about the suggested amendment of what a journey constitutes and the legal advice that you suggested you have received?

**Mr Apps**—Is that in relation to the in and out of metropolitan areas that you are speaking of?

**Senator CONROY**—Yes. I am working on the basis that you have said—

**Mr Apps**—The substance of the amendment is that currently it actually sounds like it is directional—that you can only travel one way and not both ways between a metropolitan and non-metropolitan or regional area.

**Senator CONROY**—Do a lot of trucks just drive in one direction?

**Mr Apps**—No, not very often, and that is a concern—that the interpretation may imply that. That was the concern and the issue raised, and our advice was that it could be interpreted that way. We think that it should be non-directional. It does not matter which direction you are going, you should be eligible for the grant if you are going from a metropolitan area to a regional area or from a regional area to a metropolitan area, and that is the nature of that. Probably, ultimately, the bigger question is: what is the metropolitan area? I just want to get some clarity in relation to that.

**Senator GEORGE CAMPBELL**—There is going to be a lot of confusion there. As I understand it, the metropolitan area of Brisbane extends down to the Gold Coast and takes in Coolangatta, but does not take in Tweed Heads. You have the twin towns of Coolangatta and Tweed Heads, one regarded as metropolitan and one, because it is across the border, regarded as non-metropolitan. If I go on a journey from the Greenmount Hotel, which is on one side of the street, to Brisbane it is regarded as metropolitan to metropolitan. If I cross the street and go from the Tweed Heads club, which is in Tweed Heads, that would be regarded as non-metropolitan, and the distance would be something like 30 metres.

**Mr Apps**—It depends whether you are driving from pub to pub in a truck or not. Sorry—yes, there are difficulties there in relation to how that will all work.

**Senator GEORGE CAMPBELL**—That is one very clear absurdity.

**Mr Apps**—It depends on the system that we ultimately come up with.

**Senator CONROY**—Whose electorate covers Tweed Heads? Is it Larry Anthony? Is that a marginal seat?

**Senator GEORGE CAMPBELL**—Yes, 600 or 800 votes.

**Senator CONROY**—I guess that is just a coincidence.

**Mr Apps**—In general the issue of what is going to be defined as a metropolitan area is what ultimately has to be resolved, and how far it goes and what it is.

**Senator CONROY**—The marginality of an electorate apparently needs to be resolved too. If it stays as it is at the moment, do you think truck routes will be altered to take account of where the boundaries are?

**Mr Gunning**—That is a difficult question to answer in some senses. That is why I referred earlier to the fact that, if the systems we are still working on with Tax on are put in place, at one level the answer to that is no, but at another level, when you think about the way people structure businesses and so on, one would have to say that the answer has to be yes over time. It does depend a little on what you really think the question is. I know that sounds a bit obtuse, but one thing that is clearly true, for example, is that people are sometimes thinking that the base of the business might affect the way this environment impacts on them. We do not think that is essentially true.

The other question is this: when you set up a framework, does the framework result in certain changes? The answer, we would have thought, is almost certainly yes. Some of the conditioning factors, though, are that this scheme we are talking about is said, at the moment, to last only from 1 July 2000 to 1 July 2002 and it is a scheme that, whether you are in or out, involves about 16 cents per litre grant for the use of diesel, and equivalent amounts for the use of alternative fuels. You can clearly imagine situations in which that would be an important factor. It is difficult to imagine that it would be an incredibly important factor across the board. It will certainly have some influences, but it is easy in some ways to overstate it, which is partly what I am talking about on the other hand. On the other hand, it will not be an empty box, there will be something that will be affected.

**Senator CONROY**—You are almost saying that, given it is for only two years, there would not be behavioural change and people will just have to like it or lump it.

**Mr Gunning**—No, that is what I am trying to say. It is not as if everything will change as a consequence of it, but I would think that you could certainly find examples where something will change.

**Senator CONROY**—The base of operations may not move if it is restricted to a two-year time frame.

**Mr Gunning**—That sort of thing, yes.

**Senator CONROY**—But I was asking about truck routes. If I am a smart operator and I live somewhere between Melbourne and Ballarat and I decide it is time to set up a really good truck stop for refreshments or whatever just outside the conurbation, you might see lunch being taken at my truck stop for a couple of years, because I have crossed the line. I am talking about truck routes rather than bases of operation. If the legislation is just 'cross the line', as it seems to be at the moment, and I appreciate that you are working with them, a really smart entrepreneur would set up a one-stop coffee shop just outside the conurbation to encourage people to pop in.

**Mr Gunning**—Let us take that particular example. Setting up a truck stop is no trivial matter. You have to get huge planning approvals to deal with the dangerous goods in essence that are the stored fuel. If you were starting from a standing start now trying to get a truck stop going, I suspect your minimum planning time to get in operation would be, at best, 18 months and, more usually, three to five years. If you took that particular hypothetical example where you said of someone who was making an investment decision, 'You can be certain about

only two years—’ and you can argue either way after two years—the chances of this particular decision influencing that decision are fairly remote.

On the other hand, if you were a person who operated two truck stops, one across the border and one not across the border, and you had some approvals already and a chance to expand one rather than the other, that might start to come into play. This is where the question of journeys comes in. We do not yet have a definitive definition of ‘journey’, so you would have to be in a situation where the mere act of your decision to expand this particular truck stop meant that the people who came to that truck stop were making a journey which now attracted the grant but which otherwise might not attract it. So there are whole lot of contingencies in there and, at this stage, it is very hard to answer them definitively.

**Senator CONROY**—Do we have the proposed definition of ‘journey’ yet?

**Mr Gunning**—We have some concepts, but we do not yet have a definitive definition of a journey.

**Mr Apps**—It revolves more around what is a metropolitan area, ultimately.

**Senator CONROY**—Is a journey different depending on whether it is in a metropolitan area or not?

**Mr Apps**—It depends the extent of the boundary—whether it is between a metropolitan area and regional area, and so on. Definitional issues relate to it. There are some outstanding issues that establish the framework in which it is operating.

**Senator CONROY**—As part of the thinking and discussions, is there a consideration of how much of a journey would need to be inside or outside the boundary? If I am a courier based in Ballarat and I have one trip that will take me into the city and 10 trips that will not—or the alternative, 10 trips taking me in and one taking me out—would a percentage of the journey have to be limited to qualify? I am not expressing myself very well but, from your nods, I think you are getting the idea of what I am asking. Is there an incentive for me to take one job that takes me outside the line? I might have 10 deliveries to make, one of them to Ballarat for the day, which is not that far, or maybe I am just dropping off a package to the truck stop.

**Mr Apps**—You are asking a very relevant question in relation to how the freight task really works.

**Senator CONROY**—Maybe I am going to set up a truck delivery point. As well as offering good meals to truckies, maybe I will have a drop-off and pick-up point.

**Mr Apps**—That is what I mean: the realities of the freight task are that people do not usually just drop off once in a metropolitan area. They might be driving around the city for the rest of the day doing a series of drops. We have to look at how we best manage that within a framework. One of the options we have been discussing with the Taxation Office is the concept of a deemed distance once you are within, but there are many issues involved.

**Senator CONROY**—With ‘deemed distances’ and ‘conurbations’, you must be having a ball! I wish I could sit in on those meetings.

**Mr Apps**—Oh, we are enjoying it. But we have to look at all these options. Several options are on the table. At the moment, the one that seems to best manage the intent of the legislation in relation to operations within urban environments and people coming in and doing the drop-offs is the deemed distance concept. Whether that works ultimately is part of our discussions at the moment. Where that ends up is another thing, but that is one concept which starts to

address that particular issue. It is important from a reality perspective for the freight task and the carrying out of it.

**Senator CONROY**—From my dealing with truckies, they are pretty smart blokes. They know how to save a dollar. It is the sort of industry where you do not survive unless you know how to save a dollar.

**Mr Apps**—They are experts at lulling you into a false sense of security. We both work with them too often.

**Senator GEORGE CAMPBELL**—I want to make a point about the example Mr Apps just gave. Particularly with large retailers like Woolworths and so forth, who have their stores outside the metropolitan areas and who are servicing their outlets within metropolitan areas on a regular basis, trucks would do a series of drops in a metropolitan area.

**Mr Apps**—Yes. There is no doubt about it. In an ideal world we would have said, I guess, that all vehicles of 4.5 tonnes and above should receive the diesel grant and that the area of operation does not matter. But we are working within a framework and we believe, from an industry perspective, that we can come up with a system that is actually going to show some compliance and integrity to the diesel grants scheme so that we are actually providing the benefit that is the intent of the legislation, which is reducing transport costs. We are working within that framework with the tax office and the government.

**Senator CONROY**—You mentioned briefly in your opening statement the question of the definition of a public road. This grants scheme is about the use of public roads. What is it that has you concerned at the moment?

**Mr Gunning**—I will address that because, at the moment, inside the ATA I represent the livestock transporters. There are quite a number of livestock transporters who do extensive running on private roads, property roads. In places like Queensland, on some of the big properties you can run for 100 kilometres on a private road, but generally that situation applies. As the boundaries of the grant are currently drafted, you get the grant only when you are on a public road; you do not get the grant when you are on a private road.

The original intent behind this, as we understood it, and which we argued strongly for, was that it was the users of the transport modes who ought to ultimately get the benefits of this arrangement. So, from a user point of view, the fact that someone is running on a private road is not terribly pertinent in this diesel fuel grant situation, which is the one we are focusing on; whereas, of course, if they are closer to the public road system they would get a larger grant for the particular commodity they are carrying. From our perspective, we have seen this, at least in part, as a step to improve the cost base for Australian industries. So it applies particularly in the livestock transporting industry, but it also applies to other people who operate under the ATA umbrella—for example, in the minerals area, where they might be running on a mine road.

**Mr Apps**—So it is the gap between the diesel rebate for off-road use and the new diesel grants game, where there are private road/public road issues.

**Senator MURPHY**—What is the situation going to be in respect of roads in mining areas?

**Mr Gunning**—One of the complications is that, under certain defined circumstances, some off-road running attracts the rebate, which continues for the time. There are quite complex rules that surround the rebate. The legislation quite appropriately says that either you get the rebate or you get the grant; you do not get both. But there are circumstances, certainly with

livestock, and as I understand it for mining, certain sorts of traffic on roads that are doing a certain sort of things do not attract the rebate of the moment.

**Senator MURPHY**—Have you had look at the case in terms of forest roads on crown land?

**Mr Gunning**—Only in a generic sense, not in any detail.

**Senator CONROY**—The legislation limits the types of vehicles that can qualify for the grants. Can you take us through what you see as some of anomalies in the 4.5 tonne area?

**Mr Apps**—Is that in relation to the trailers?

**Senator CONROY**—That is one obvious one. The intent seems to have changed; I think you have already made that point.

**Mr Apps**—The issue was particularly that it seemed that the intent was not to allow vehicles of, say, 3.5 tonnes to come within eligibility, to keep those out of the scheme. But the intent seems to have taken the other extreme where, as I said, owners of singular-use vehicles that already have trailers and are already used who thought they were going to be eligible for the grant are now going to be ineligible. Beyond that, and I keep repeating it, we have to operate within a system, and 4.5 tonne to 20 tonne vehicles within metropolitan areas have been excluded, and that is the way it is going to work. We are going to have to work within a framework that best establishes a system that manages that process.

**Senator CONROY**—You represent truck drivers with vehicles of less than 4.5 tonnes, though, don't you?

**Mr Apps**—We do.

**Senator CONROY**—Would it be fair to say that if I am an owner-driver and I have bought a truck—say, 3.5 tonnes or 4 tonnes—that failed to qualify that I am going to be at a competitive disadvantage to somebody who has a larger truck that qualifies?

**Mr Apps**—You have to look at the act. A vehicle of 4.5 tonnes to 20 tonnes within a metropolitan area is not eligible for the grant and, largely, the competition for those vehicles or the competitive framework within which they work is largely within that metropolitan area. So nobody is eligible for the grant. A 4.5 tonne to 20 tonne vehicle operating within regional Australia is eligible. But I do not particularly see that the marketplace is going to change the nature of the market for where those vehicles operate, in that sense. You will not see regional Australia all of sudden taking over the urban freight tasks, for example, because they are eligible or not for the grant.

**Senator CONROY**—But if I operate if I drive my truck in two directions and I am below the threshold and the bloke who works in a nearby yard or has his own business has a slightly larger truck and we are competing or both going in and out of the metropolitan area, am I at a competitive disadvantage to him?

**Mr Apps**—I guess, in the context of the time frame within which this diesel grants scheme is going to be in existence, probably not.

**Senator CONROY**—Probably not!

**Mr Apps**—There possibly might be some changes in the nature of the market in the relation to the types of trucks—

**Senator CONROY**—This is a tough industry. A cent here and there is the difference between surviving or not sometimes. This is as cutthroat an industry as there is. You do not think that I would be at a competitive disadvantage if I am competing for the same jobs moving in and out of the conurbation line to somebody who does qualify for the grant?

**Mr Apps**—I am trying to think of an example where that might exist. In that context, I do not think the trucking industry operates in that sort of manner. I think you will find that people will, in general, do a variety of activities that cross all of those conurbation and journey type issues and they are going to have to best manage it. Certainly there may be people who may have to change or think a little about the way they actually operate. But, in general, I think the answer is no. And I agree with you: it is a cutthroat industry.

**Senator CONROY**—I am just surprised, Mr Apps. I am actually struggling to understand how I could not be at a disadvantage if my direct competitor is eligible for the grant and I am not and therefore he is getting his fuel cheaper.

**Mr Apps**—I agree; I think there will be circumstances where that will be the case, but I think that, in general, you will find that the diverse nature of the industry—

**Senator CONROY**—No. I accept that it is diverse. But I am talking about the fact that I have just bought a 3.5 tonne or 4 tonne vehicle and I am competing against blokes who are above 4.5 tonne. There are definitional issues around the 4.5 tonnes, there are arguments about it, so these are not necessarily in totally segmented markets. So a person in that situation is going to be, potentially, in the same market and if the owner of that 4.5 tonne truck is getting cheaper fuel, I am struggling to understand how my investment that I have just made leaves me, as you describe it, no worse off.

**Mr Apps**—No. I said I did not disagree that there would be certain circumstances where you are exactly right, in general if you look at the overall diverse nature of the way that freight tasks are carried out, if you are looking at a single, there may be some changes in purchasing—

**Senator CONROY**—And if I were a member of the ATA, you would be representing me.

**Mr Apps**—In which respect?

**Senator CONROY**—Well, if I paid my subscription. If I wanted to qualify, the resale value of my truck would be down, wouldn't it?

**Mr Apps**—It depends on how you view the second-hand market. The general view is that, yes, second-hand prices might drop. Broadly, however, the transitional arrangements—

**Senator CONROY**—All other things being equal, the resale value of my 3.5 tonne vehicle is going to be less, surely.

**Mr Apps**—I am not an expert on the motor market and what might happen, but I would imagine that the general discussion says that there will be a drop in prices for second-hand vehicles.

**Senator CONROY**—That are below the level of qualifying for the grant.

**CHAIR**—I suggest we get back to the clauses of the bill.

**Senator CONROY**—I thought questions of what is in and out of the legislation would be important. Perhaps not to truck drivers in Tasmania, Senator Gibson, but they certainly are to truck drivers in Melbourne. I have had some nods and some noes, but I think you were responding to my second comment rather than my first. The resale value of my 3.5 tonne vehicle would, all other things being equal, have to be less than prior to this legislation if I am not eligible for the grant.

**Mr Apps**—I do not know whether the grant actually impacts on it. I imagine it may be less.

**Senator CONROY**—Thank you. I was just looking through the powers to stop and search vehicles. Are you entirely comfortable about the tax office having that capacity—the tax man

standing on the side of the road pulling me over? Are you entirely comfortable with that proposition?

**Mr Gunning**—Our position ends up being one of balance, which is always, in a sense, uncomfortable. On the one hand we obviously would not want to be part of a process that acted in a capricious way. On the other hand, as an industry we think it is incredibly important that when these sorts of schemes come in they are administered with a high degree of integrity. From an industry point of view, we have a strong commitment to making sure that arrangements in these areas generically are administered in the best possible way and that we emerge with the highest levels of integrity we can. In a sense there are those two competing issues.

Part of the resolution for us is that we certainly, for example, would not wish to see the Taxation Commissioner unduly constrained by the situation where people know the wrong thing is going on but they cannot do anything about it because the law fails to give the relevant enforcement officers enough powers to look into it—I sometimes find myself in the capacity of being a critic of the law. As an industry we do not have much truck with that kind approach. We are very impatient with that kind of view. We are a very straightforward industry in that sense. If the law is there and should be enforced, go and enforce it. That is a strong industry view.

One of the saving graces for us, and we have sought this assurance from the tax department, is that the kinds of powers that they have and which they would exercise in respect of the trucking industry are similar to the kinds of powers that other officers in similar situations have. Our understanding is that, at the broad level, the sorts of powers that we have are similar to the powers that are exercised by the Customs officers who used to operate in this area. At that broad level we are fairly comfortable—not totally comfortable—with the outcome. We were also fairly reassured by the kinds of assurances we have had from the taxation department. They see the production of a card that the taxation officers are supposed to carry and they see the need for the officer to exercise that power in a constrained way consistent with the objectives of the act. We have been very impressed with the consultation we have had with them and we were impressed by them saying to us, ‘If this was, in your view, to get out of hand, and if you thought there were things happening that were not appropriate then we would be more than willing to talk to you about the issues and take the steps that are needed to rectify the situation.’

Given that our starting point is that we want to see a balance between what is sometimes called the rights of the individual on the one hand and the rights of the public and the need for integrity on the other, we are moderately comfortable at this stage with the kind of outcome we have.

**Senator CONROY**—You are comfortable with the balance achieved by part 2, ‘Access to premises’:

(2) The authorised officer:

- (a) may at all reasonable times enter and remain on those premises; and
- (b) is entitled to full and free access at all reasonable times to any such documents, goods or other property on those premises . . .

**Mr Gunning**—We are. We have had some discussion with the tax department about what ‘reasonable’ might be. The sorts of responses we have received were, in our view, reasonable. We all know that in large structures things can happen at times that people look at and say, ‘That’s unreasonable.’ At this stage, we have a fair degree of confidence that both in terms

of the approach that tax are bringing to this and what we regard as very productive consultations we have had with them that if we saw things emerging that we were unhappy with, we would have an opportunity at an organisational level to talk to people. By and large, our legal advice is that the sort of qualifiers you have talked about would be adequate for the individual if they decided that something unreasonable had been done.

**Senator CONROY**—Looking at section 2(d), it says:

may inspect, examine, count, measure, weigh, gauge, test or analyse any such goods or other property on those premises and, to that end, take samples.

They are just looking at diesel fuel, are they not?

**Mr Gunning**—Yes, essentially. In essence, as we understand it, the duly authorised officer who has produced the identity card saying, ‘I’m here on this task,’ is basically trying—in this self-assessment system we have in Australia for the claiming of grants—to assure himself that there is a reasonable basis for the claim that is being made. We accept as an industry that we have an obligation to meet that expectation.

**Senator CONROY**—‘Test or analyse any such goods or other property’ seems a bit broad.

**Mr Gunning**—Indeed. That is why I am saying that in a lot of ways the proof of the pudding will be in the eating. Our advice at the moment, in those areas at least, is that the structure seems broadly appropriate, but we would obviously reserve the right to see how it worked in practise. I am being partly equivocal on that point in the sense that we believe we have undertaken a range of investigations that give us a degree of comfort—we are not totally comfortable. In the end, we believe we have the mechanisms there. We would not say that there will be absolutely no problems, but that in the circumstances, particularly with regard to the industry’s integrity and the fact that when you are in receipt of public funds you have an obligation to demonstrate that you have appropriately received those public funds, there is a reasonable balance there.

**Senator CONROY**—If I am a company, I guess it does not matter where I am based, but let’s stick to my Ballarat example. I also have a depot in Melton, which would be inside, I suspect, a conurbation. What are the procedures to ensure that I am not moving fuel between the depots in either a physical sense or in a bookkeeping sense? If I have some trucks that are committed to purely outside the conurbation movements and some trucks that are purely inside the conurbation movements, what are the procedures that you envisage to ensure compliance, so that my bookkeeping does not accidentally see me logging up fuel used on one truck for a truck that is inside a conurbation?

**Mr Gunning**—As we see it, it is not so much where you are storing the fuel.

**Senator CONROY**—It may not be a literal movement.

**Mr Gunning**—That does not matter. As we see it, at least at the first and second levels the framework does not seem completely inappropriate; that is, in the first instance, aside from all the qualifications, you are basically talking about fuel used. Then we think there is a lot of sense in the statutory rule that is in the amendment currently in the bill that you are looking at and that says that the statutory rule asks you to work out eligible kilometres over total kilometres. At that level, we see that as fairly sensible. The record keeping process is essentially about the eligible kilometres you are running as compared to the total kilometres you are running in that class.

In terms of going beyond that and saying, ‘What are the precise records?’ again we are in the situation where we are still talking to tax about those issues, but I would say that it does

seem relatively clear—not totally. I think you started me out on the theme of whether the commissioner has appropriate powers and are the powers excessive. Given the sorts of things we envisage, we are still driven to that same conclusion, that on the whole those powers look like they are achieving a reasonable balance between the rights of the individual and the rights of the public.

**Senator CONROY**—What is a reasonable time to stop a truck? On the Hume Highway, would it be 2 o'clock in the morning?

**Mr Apps**—That's the usual time.

**Senator CONROY**—The tax office might have a bay, say, that the truckies could pull up in.

**Mr Gunning**—That was a good response from my colleague because my initial reaction would be that 2 p.m. on the Hume Highway could well be a reasonable time. It would depend on the nature of the operation and what is happening.

**Senator CONROY**—Yes, being a 24-hour industry.

**Mr Gunning**—Certainly my colleague and I have been out on the Hume Highway at 2 a.m. talking to truck drivers and it has not been an issue. They would rather you were there than at 9.30 in the morning.

**Senator CONROY**—I just cannot understand why they have refused to agree to it because in a 24-hour industry, as you are indicating, almost all of those times are unreasonable for most of us.

**Mr Gunning**—As we see it, the word 'reasonable' is supposed to condition the nature so that if we had a dispute, for example, and someone said, 'That was an unreasonable time at which you arrived,' a court would judge it on the facts of the matter. From our point of view, we feel fairly content with that.

**Senator CONROY**—Returning to that paperwork question and possibly making a mistake or not making a mistake, do truck companies or drivers have to keep a log of their use of fuel at the moment?

**Mr Apps**—Not in a formal sense, not in the way you have put it.

**Mr Gunning**—Remember that this is an industry that is intensely interested in the use of fuel.

**Senator CONROY**—Yes, but you fill a truck up and you have your receipt. Isn't that your normal way of keeping track of how much fuel you have used?

**Mr Gunning**—It varies enormously actually. Certainly almost anyone in this industry would know when they have filled the truck up, what the receipt was and how many litres went in. A good number of people know precisely how much fuel their truck is consuming at any one moment. If you think about the structure of this industry, we are intensely interested in fuel and intensely concerned about fuel consumption.

**Senator CONROY**—So I would not have to keep a log of each part of my daily journey at the moment? Let us say I am on Footscray Road and I then drove my truck down to Geelong and then I was going to do a drop in Ballarat on the way back. Today I would not be keeping track of exactly how many kilometres I went from, say, Footscray Road to Geelong and then Geelong across to Ballarat and where was the conurbation. Do you know if you are going to put signs up so we know when we are outside the conurbation? In that way I can

check my speedo and say, ‘Well, that’s it. I have qualified for that bit but I don’t qualify for the next bit.’

**Mr Gunning**—In some trades, like the courier industry, they are keeping track all the time of where they are picking up from and setting down. In others they are not. There is a tremendous variety in our industry.

**Senator CONROY**—Are there any courier Hi Ace vans above 4.5 tonnes?

**Mr Gunning**—There are some in the courier industry above 4.5.

**Senator CONROY**—But they would not be a majority?

**Mr Gunning**—They would not be a majority.

**Mr Apps**—In general you will find that most people do keep some sort of record of their journey, whether it is a log book, an onboard computer or whatever it might be.

**Senator CONROY**—What happens if I forget and I drive across the conurbation line? Do we aim to paint a line across the road?

**Mr Apps**—It just depends on the framework of the rules at the end as to what the conurbation is and what the metropolitan area is and how you need to record it.

**Senator CONROY**—But a lot more record keeping is going to be required. That is my fundamental point.

**Mr Apps**—I do not think so. I think in general it might be a little extra, not too much.

**Senator CONROY**—After a comment like that, if I were a member of your association, Mr Apps, I would invite you to come and run my business for a while after 1 July.

**Mr Apps**—I would take your offer up.

**Senator CONROY**—Those are all the questions I have.

**CHAIR**—Thank you, Senator. Thank you, Mr Apps and Mr Gunning, for appearing before us this morning.

**Mr Gunning**—Mr Chairman, may I ask something as a matter of clarification?

**CHAIR**—Please do.

**Mr Gunning**—I do a variety of things in my life, one of which is to represent the Bus Industry Confederation. That is totally difficult organisation and it would be inappropriate to confuse it with the ATA. Earlier, when I was talking to the secretary of the committee, he suggested that if there were any questions in relation to the BIC submission, they might be taken up at this juncture. I am really asking for clarification, first of all, as to whether you wish to examine the BIC submission and, secondly, if so, when you would wish to do that.

**CHAIR**—Just hang on, Mr Gunning.

**Senator MURPHY**—The bus industry submission says 90 per cent, I think it was, of bus transport will be affected.

**Mr Gunning**—First of all, I am seeking some clarification as to whether you wish to take evidence from BIC and, if so, when.

**Senator MURPHY**—In your submission it says that 90 per cent of urban buses which undertake the great bulk of urban public transport will not be eligible for either diesel or alternative fuel grants, because their weight falls between the gross tonnages.

**Mr Gunning**—That is correct, yes.

**Senator MURPHY**—Which you further say will lead to an increase in the cost of public transport.

**Mr Gunning**—Yes. Our assessment is that from the bus industry point of view that will add about three per cent to the cost of running buses—which, by and large around Australia, means three per cent onto fares, as a rule of thumb.

**Senator CONROY**—So an increase in fares for public transport.

**CHAIR**—Mr Gunning, we have received the submission from the bus industry. We are way past time, but if you want to make a short comment on that submission, please do so quickly.

**Mr Gunning**—We are in your hands, Mr Chairman. We have put the submission in. Given the circumstances, I should say that the bus industry perceptions about these arrangements are significantly different from those of the Australian trucking industry. What is essentially driving the bus industry perceptions is that, in a broader environment that the bus industry understood was about improving environmental impacts, the bus industry finds it incongruous that the direction of these changes is actually pushing people out of buses and into cars; yet we know that buses are, at worst, eight times more effective in terms of improving the environment than cars are. So there is a big policy goal that the bus industry sees, and we see these policy changes as moving in the reverse direction.

The particular business about the diesel and alternative fuel grants, in broad order, would push up bus fares by about three per cent, and that is in an environment where, for a private motorist, car costs are coming down by about three per cent and, for a business user of cars, cost reductions are in the order of 13 or 12 per cent. We know that there is substitutability between buses and cars: it is not dramatically high, but there is substitutability. So we are heading in the direction of pushing people out of the great bulk of the bus fleet into cars. We know that on average, across-the-board, depending on the scenario you draw, buses are about eight times environmentally better than cars. That strikes us as—

**Senator MURPHY**—It is not just a three per cent increase, is it?

**Senator CONROY**—It is the relative shifts. They are going in different directions.

**Mr Gunning**—They are going in different directions between cars and buses. But the lack of access to diesel fuel grants puts an additional three per cent onto bus costs, as compared to an underlying six without. Thinking about what the bus industry understands about the conurbations that have been drawn, the bus industry is especially struck by the fact that there is a whole range of agricultural areas that are being drawn inside the conurbations: wine growing areas in Victoria, for example, or market garden areas in Sydney, or plain bush in the case of Brisbane, and the like.

**Senator CONROY**—So bus fares will go up?

**Mr Gunning**—Bus fares are interesting, because bus fares are regulated and, in some cases, state governments also provide bus services as a diminishing share of the marketplace. It is not possible to conclusively say that bus fares will go up; but we certainly know that bus costs will go up by about nine per cent.

**CHAIR**—But sales tax is coming off a lot of the inputs into the bus industry.

**Mr Gunning**—Buses have historically always been exempt from sales tax.

**CHAIR**—Have they? Including their tyres and so on?

**Mr Gunning**—With one exception, that the spares have been subject to sales tax. But, in terms of the cost structure of the bus industry, those particular componentry items have not been a large percentage of costs. We have done the calculations.

**Senator MURPHY**—Tyres last a long time on buses.

**Senator CONROY**—You were not suggesting that bus owners were going to absorb the three per cent, were you?

**Mr Gunning**—I was not about to suggest that at all, no.

**Senator CONROY**—They have not recently become philanthropic, have they?

**Mr Gunning**—We would like to think that we are philanthropic.

**Senator CONROY**—I have met a lot of bus owners, and it has not struck me.

**Mr Gunning**—For the great bulk of the private bus industry, we would expect costs and fares to rise in the order of 9 per cent.

**Senator CONROY**—Your submission goes on to suggest that there would be some substitution between bus use and increased car use, as a result of these changes.

**Mr Gunning**—We think we know that. There are plenty of studies around. The cross-elasticity of demand between cars and buses is about 0.5; so, with the sort of numbers we are talking about, we think there will be a move from buses to cars.

**Senator CONROY**—And you go on in your submission to argue that this will actually increase greenhouse gases in toto.

**Mr Gunning**—Yes. From our point of view it is quite paradoxical. We understand some of the underlying reasons, in the sense that older buses using high sulfur diesel and not having modern technology are not as good as modern buses; but even older buses are far better than cars, because they are so much more efficient. If you then factor in the fact that buses are being replaced all the time and that low sulfur diesel is coming in, the difference between the bus industry and cars is quite phenomenally large.

**Senator CONROY**—If I had a bus company that had buses inside the conurbation and outside the conurbation, and I was introducing, as you were saying, replacements with a couple of new buses into my fleet, where would I be more likely to put my new, efficient diesel-using bus?

**Mr Gunning**—That is a fairly deep question, actually. My initial reaction would be that it probably would not matter much, but I dare say that you are about to make an argument that it will matter. I will have to come back to you on that, Senator.

**Senator CONROY**—If I can get a grant by driving my new, clean bus outside the conurbation but not get a grant by driving my new, clean bus inside the conurbation, where will I put my bus?

**Mr Gunning**—You see, it is the service which gets the grant anyway, really. I would have to think it through. It is not obvious to me. It is obviously obvious to you.

**Senator CONROY**—That must obviously be a fascinating discussion with the tax office. Nothing is obvious to anybody. I have finished, Senator Gibson.

**CHAIR**—Thank goodness. Thank you, Mr Gunning and Mr Apps. That completes our hearing on the diesel and alternative fuels grants scheme.

**Committee adjourned at 10.32 a.m.**

**Committee met at 10.41 a.m.****STANTON, Mr Richard Roger John, Executive Officer, Plantations Australia****CHAIR**—Welcome. We have received your submission. Do you wish to add anything to the capacity in which you appear today?**Mr Stanton**—Yes. I am also representing the National Association of Forest Industries.**CHAIR**—Do you have an opening statement?**Mr Stanton**—Yes. I will briefly summarise our submission. We support the Taxation Laws Amendment Bill (No. 9) 1999 because it restores the current equity in the diesel fuel excise arrangements from a forestry perspective. In our submission, we have outlined three arguments in support of our position. Firstly, if this bill is not passed, a distinction will be created between forestry and other forms of primary production. We believe this distinction is contrary to public policy and ignores the desperate need that we have in Australia to attract further investment into sustainable forest management and timber production.

If the distinction is allowed to prevail, it will act as a disincentive to investment in forestry. I will give a simple example. If a landowner with an area of forest were considering how they should use that forest in the future, they might consider the alternative of clearing the forest and putting it into agricultural production or, alternatively, managing it on a sustainable basis to produce timber. Many factors would go into that decision, but one factor that they might now consider—if the current situation were allowed to prevail—is that there would be some incentive to clear that forest rather than maintain it for timber production.

The second point that we would like to raise is the onerous nature of the administrative arrangements which would apply if this bill were not passed. The majority of the people who use diesel in the forestry sector are contractors and land-holders, and they would be faced with the onerous task of distinguishing between the diesel they use in forestry and the diesel they use in other primary production. They are already faced with this complexity in relation to separating on-road use from off-road use, and this would just compound that problem.

The final point I would like to make in support of our position is that the forestry industry is a responsible user of diesel fuel. Diesel fuel, whether we get a full excise or not, is a significant cost to the industry, and therefore we have made significant efforts to reduce diesel use by adopting new technology, more efficient harvesting machinery, et cetera. For that reason, we believe we should continue to be treated in a similar manner to other users and should not be discriminated against. In summary, we support the Taxation Laws Amendment Bill (No. 9) 1999, and we would encourage the committee to recommend that this bill be passed unamended as soon as possible.

**Senator MURPHY**—With regard to on- and off-road use, there has always been a bit of a debate about off-road use. Has this been progressed at all as part of this amendment?**Mr Stanton**—No.**Senator MURPHY**—Do you still have the same application as you had previously?**Mr Stanton**—That is right. This does not change the distinction between on-road and off-road use, except that on-road use will now attract some rebate. But the definitions for off-road use remain the same, except that there is a distinction between forestry and other primary production.**Senator MURPHY**—Would the record keeping requirements be any different as a result of this?

**Mr Stanton**—They would be no different as far as distinguishing between on-road and off-road use, but in the off-road category you would have to distinguish between primary production and forestry if you were operating in both fields, which some contractors do.

**Senator MURPHY**—Which relates to a landowner who owns forests and agricultural land.

**Mr Stanton**—Or a contractor who perhaps one day used his dozer for a harvesting operation and another time worked in dam construction or something on a farm. There would be a whole range of different situations. To be honest, we have not considered all the permutations, but you have basically doubled the complexity with this.

**Senator MURPHY**—What is there to stop people from roting that type of system?

**Mr Stanton**—At the moment, they have to keep records to justify their claims with regard to on-road and off-road use. I would imagine they would have to keep similar records to distinguish between primary production and forestry, but there would be significant opportunity for mistakes to be made, whether intentional or otherwise.

**Senator MURPHY**—Primary producers have eligibility. Do they have to determine in the record keeping how much they use the tractor, for instance, as part of their plantation development versus, say, planting crops?

**Mr Stanton**—Correct. If you look at the submission made by Australian Forest Growers—and, while I am not speaking on their behalf, there is significant agreement between us and them—they have identified a situation of establishing a windbreak as an example. You could have a number of reasons for establishing that windbreak. It may be for primary production purposes—in other words, to protect your sheep or cattle—but, at the same time, you may ultimately intend to harvest some wood from that windbreak. How do you claim then? Do you try and segregate the two? Do you have that intention at the beginning of the operation, or do you have to work it out when, in 30 years time, you cut a few of those trees down? There are complexities.

**Senator MURPHY**—Most contractors, for example, have diesel vehicles. Most landowners have diesel vehicles—four-wheel drives—which are in many instances essential parts of the contracting, given the nature of some of the tracks and places they have to get to. What is to stop people from fuelling their four-wheel drives?

**Mr Stanton**—They have to keep records. They have to defend their claims for the diesel rebate. That is the only requirement.

**Senator MURPHY**—This was an issue some time ago, wasn't it?

**Mr Stanton**—I do not think the situation has changed in relation to the difference between on-road and off-road use. All this does is add to the complexity.

**Senator MURPHY**—The grant scheme adds to the complexity, but does it provide an opportunity for greater abuse?

**Mr Stanton**—I would say that it would be a similar opportunity for abuse.

**Senator GREIG**—Mr Stanton, you would be aware of the Democrat position on logging in native forests. As a political party and as an industry advocacy group, we could not be further apart on the issue. I take that as read. The question that I pose is more of a rhetorical question. Many Australians find the notion of logging in old-growth forest, native forest, repugnant and are implacably opposed to it. That comes as no surprise to you, I am sure.

It is argued and demonstrated by some research that the forestry industry is already heavily subsidised by the taxpayer in a range of areas. One sticking point for many people is the

research which shows, for example, that royalties to government coffers from some sectors of the industry do not even cover the costs of the taxpayers maintaining the roads into those areas. So the rhetorical question I propose is: why should taxpayers further subsidise the industry by extending this grant?

**CHAIR**—Senator, before we go on, I just remind you that this hearing is about the clauses of this bill. We are not here to examine the other broader issues which your question addresses. So I think it really is a bit unfair to ask Mr Stanton to comment on that.

**Senator GREIG**—Perhaps I can paraphrase. Mr Stanton is arguing in his submission—fairly—from his constituency that there is discrimination here in terms of who does and who does not get the grant. They are arguing that it is unfair discrimination; I am proposing that it is justified discrimination. So what I would seek from Mr Stanton is: given that the forestry industry already receives substantial government grants, why is it not reasonable to draw the line in the sand here in regard to diesel fuel?

**CHAIR**—I just remind you that we are here about this bill. We are not here to argue about the broader question. That has been and gone. I will allow you to ask some questions—please proceed—but I give you due warning that we are not going to go on and on and re-examine whole broad policy questions about that. That is not the purpose of this hearing.

**Senator GREIG**—I think I have made my point. I do not propose to engage in any further protracted debate on the issue. My point is that I would argue that the discrepancy is justified, rather than unjustified. I guess that is just a philosophical difference between us.

**Senator MURPHY**—Mr Stanton might like to provide us with a view as to why the industry is being discriminated against. Mr Stanton, in your submission you say that the industry would be unjustifiably discriminated against. Why is that?

**Mr Stanton**—The question that we are really looking at here—and I think, in response to Senator Greig, my response would be: we can have those arguments about what is appropriate land use in another forum, but to use this—

**Senator MURPHY**—I am not asking you that; I asking about why you think the industry is being discriminated against. That is what your submission says.

**Mr Stanton**—To use this mechanism to discriminate against our industry is inappropriate.

**Senator MURPHY**—Why?

**Mr Stanton**—We see it as discrimination, particularly because—if we are looking at the use of a given area of land and we are saying, ‘How should we use that land? Should it be used for forestry production or for any of the alternative types of production that land can be used for?’—as a result of this arrangement there is increased incentive to direct people away from investing in forestry, to investing in other forms of primary production. Our industry has been identified for some reason—which is quite unclear, of course—as not entitled to the same benefits as other users of land.

**Senator MURPHY**—What about from a competitive point of view, with imports of forest products?

**Mr Stanton**—Certainly under this situation our industry will not be entitled to the same benefit that it receives at the moment. Therefore, costs will increase. The cost of diesel fuel will ultimately flow through to the cost of the end product. That will make us less competitive, both in our domestic market and when we export our wood overseas. We will be paying an additional cost—for fuel in this case—and that will flow through.

**Senator MURPHY**—But, to take the government argument, in many respects on that point you are, as a result of the ANTS package, going to receive a significant tax benefit to reduce costs.

**Mr Stanton**—Yes, and we have acknowledged that in our submission. Particularly for the on-road haulage there will be a reduced fuel cost. That will be significant for the forest industry, and that is a benefit. Certainly the major issue here is the distinction between different types of land use, in effect.

**Senator MURPHY**—Why wasn't there a distinction drawn with regard to imports? I think forest products is about our second largest import in trade terms. It is one of our major trade deficit problems. Why wasn't some consideration given to that in arguing this case?

**Mr Stanton**—Certainly from the point of view of increasing the cost to our industry, the result of this whole package will probably be a reduction in fuel costs, because of the new benefit we have for on-road haulage. On those grounds you could say that we will be slightly more competitive with the rest of the world than we were before. But this creates a real distinction between different forms of land use in Australia today. But, of course, any additional benefit that we get will assist our competitiveness internationally, whether it is the 6c a litre involved here or the 23c a litre for on-road use. Any benefit will certainly help our competitiveness with other countries, particularly New Zealand, as a lot of wood is being imported into Australia from New Zealand.

**CHAIR**—Thank you very much, Mr Stanton, for coming and appearing before us this morning. Thank you for your submission.

**Committee adjourned at 10.56 a.m.**

**Committee met at 10.56 a.m.**

**COLMER, Mr Patrick Joseph, Assistant Commissioner, Excise Policy, Australian Taxation Office**

**HOLT, Mr Peter Thomas, Senior Officer, Excise, Australian Taxation Office**

**JACKSON, Mr Mark John, Deputy Commissioner, Excise, Australian Taxation Office**

**CHAIR**—Welcome. Witnesses from the Australian Taxation Office are here to answer questions concerning both bills—that is, the Diesel and Alternative Fuels Grants Scheme (Administration and Compliance) Bill and the Taxation Laws Amendment Bill (No. 9). You have heard the evidence before us this morning on these two bills. Do you wish to make any statements about them, Mr Jackson?

**Mr Jackson**—No.

**Senator MURPHY**—With regard to the monitoring of this whole grants scheme process and the powers that are proposed to be given to the commissioner in terms of any fraud activity relating to the application of the scheme, how do you intend to do that?

**Mr Jackson**—I am sorry; how do we intend to do what?

**Senator MURPHY**—How do you intend to actually monitor this process? You make many things look good on paper, but I am not sure how you intend to do it.

**Mr Jackson**—The tax office has significant experience with monitoring the compliance activities of a whole range of schemes, and this would be no different in principle. There are a range of records required to be kept. There are a range of compliance activities and risk assessment regimes that would be behind those records, and we would act accordingly. Do you have specifics in mind?

**Senator MURPHY**—I do not want to sound cynical but, in other issues that this committee has been dealing with from a references point of view, it causes me some concern that there is this claim that you are able to do this because, in other areas, that would seem not to be the case. As I asked the National Association of Forest Industries, how do you know whether somebody is putting diesel they are claiming the rebate or the grant for in their four-wheel-drive, saying that it has been put into their skidder, their excavator or their truck? How do you actually go about proving that?

**Mr Jackson**—We have access to a range of records, as you would recognise.

**Senator MURPHY**—Sure, but they buy fuel in bulk; you know that.

**Mr Jackson**—Yes. And we would be looking at indicators like the general fuel consumption of various types of vehicles and whether that adds up to the total fuel they have expended over the last period. So, if they have a large truck—a Mack truck or whatever—and that truck on average across the industry uses this amount of fuel, do the records substantially justify that use or is that truck using a much greater level of fuel consumption than expected, for example, and therefore is there a possibility that the fuel is going elsewhere. Those are the sorts of things that can quite easily be done.

**Senator MURPHY**—The truck is relatively easy because it will go from point A to point B and you can track the kilometres, and you can make an assessment of the kilometre-fuel usage. I accept that. But what about the in-bush equipment—the excavators and the skidders?

**Mr Jackson**—I accept that it is more difficult and that we would need to look at mechanisms for monitoring that usage.

**Senator MURPHY**—So that is not being done at this point in time?

**Mr Jackson**—At this point in time there are a range of compliance activities under way where we are looking at the use of fuel in different applications.

**Senator MURPHY**—If we go back in history a little, we had some problems of major roting with this before, didn't we?

**Mr Jackson**—There have been audit reports on the Diesel Fuel Rebate Scheme in the past; that is right.

**Senator MURPHY**—Yes. It pointed to the problem that you really could not work it out.

**Mr Jackson**—Yes, there have been those.

**Senator MURPHY**—Most people who work in the bush—and I am talking about workers here, not just contractors—would have diesel powered vehicles and could, in effect, fill up out of the tank with the contractor's blessing.

**Mr Jackson**—The tax office proposition with these things is that, by and large, people do not do those things. The community is honest and approaches—

**Senator MURPHY**—I do not want to say that they do it, either.

**Mr Jackson**—We would look at a range of mechanisms to assess various levels of usage. I am not saying that we are going to spend a large amount of money investigating every possibility of every contrivance that could be arranged. We need to look at a risk assessment process: where is there likely to be a significant leakage out of the scheme? If that is the case, that is where we would put some resources. But, to suggest that contractors are going to loading up their four-wheel-drives with fuel and claiming grant money or rebate money, it is probably at the margins rather than general practice.

**Senator MURPHY**—I do not want to cast any aspersions on any of our people in the forest industry, or indeed in the agricultural industry, but I would suggest to you that if you believe that then you probably believe in the tooth fairy.

**Mr Jackson**—I think I was suggesting that, by and large, people operate in an honest way.

**Senator MURPHY**—There would be audit reports that would suggest that is not the case.

**Mr Jackson**—I am sure there are audit reports that suggest that there has been some leakage out of the scheme. But I think that would be true of almost any administered scheme.

**Senator MURPHY**—With regard to, say, a landowner who is also involved in the forest industry in a contracting sense, who does the full gamut of that, you keep track of the records they provide you with, but how are you able to verify them? Given the history of the Diesel Fuel Rebate Scheme and how it had to be tightened up—and even when it was tightened up—how do you check all of this stuff? Checks and balances are very difficult to apply and this is increasing that. You have the Diesel Fuel Rebate Scheme and the grants scheme and you have a tax office that is reducing in number in terms of staff. How are you actually going to monitor things? How is it going to work?

**Mr Jackson**—There is a similar range of mechanisms available to us: looking at the usage patterns of vehicles and seeing if the declared use matches those, and if not, why not. There are a lot of possibilities, from having someone sit on the doorstep of a farm to watch that to using some more remote mechanisms.

**Senator CONROY**—The dipstick?

**Mr Jackson**—I am not sure that we would use a dipstick, other than to measure the amount of fuel that is in a tank if someone is claiming a certain usage and we do not accept that.

**Senator CONROY**—So you would use a dipstick?

**Mr Jackson**—It is possible.

**Senator MURPHY**—There is a requirement on road transport operators to put in records, to keep their log in much detail et cetera, which seems rather extraordinary. Again, how do you actually check it? How do you actually verify that this is what actually took place? I say that, given the number of trucks in this country, the number of roads and the number of options that are yet to be finalised, as I understand it, in respect of where to, from point A to point B and all the variations of that. There has to be a huge possibility for fraudulent activity. That must provide a huge opportunity for that.

**Mr Jackson**—There is a range of schemes that provide opportunity for fraudulent activities. In respect of this particular scheme, we are working through with industry at the moment to determine what level of record keeping we require, what we believe will provide sufficient evidence of the integrity of the operation of the system while balancing that against the needs of industry and the need for it not to be overregulated and burdened down with too much red tape.

It might be that, as we get closer to a position, the records that operators currently have will be sufficient. It might be that bills of lading, invoices and things of that nature, which they already maintain by and large, would provide us with sufficient records that will combine with fuel purchase receipts and accounts for fuel suppliers. It may be that we would require some additional record keeping. It may be that in certain circumstances we require additional record keeping.

I do not think these things are generic. I do not think you can say that the record keeping requirements of someone who is operating a vehicle in Darwin are the same as someone who is operating a vehicle on the fringes of one of the conurbations. So I think these things vary and I am really not in a position to make a bland statement.

**Senator MURPHY**—When someone puts in a claim for the grant, in this case, what happens? Do they lodge their grant application?

**Mr Jackson**—They lodge an application initially for registration to participate in the scheme and then, following the use of fuel, they lodge a claim for the grant itself.

**Senator MURPHY**—Say company A register for the scheme. They register with four trucks. What process do you have in place to check whether or not they have four trucks?

**Mr Jackson**—When they register we would do a check against the state registration data sets.

**Senator MURPHY**—For every truck?

**Mr Jackson**—Yes, a check that the truck exists and that the truck is in the name of the person who is claimed to own it and that the vehicle mass is as registered.

**Senator MURPHY**—So every time somebody sells a truck or every time somebody buys a truck, you will do that same thing?

**Mr Jackson**—It is likely.

**Senator MURPHY**—It is likely?

**Mr Jackson**—Yes. We are not entirely sure about the process that we are going to use yet, but that is an option that is open to us and that is an option that could be done at a fairly low cost because it is simply a question of data matching. Whether or not we would need to do that on an ongoing basis will evolve as the scheme evolves and we start to assess the integrity

of the scheme. It might mean that down the track we will do some sampling of that and that a sample will give us sufficient assurance that the registration process is working properly.

**Senator MURPHY**—So you have in place agreement with the states with regard to data matching on the registration of vehicles?

**Mr Jackson**—We are talking to them about that, yes.

**Senator MURPHY**—Where is that at?

**Mr Holt**—It is still in the preliminary discussion stages.

**Senator MURPHY**—Are you going to get agreement from the states for them to provide you with the information? That would seem to be a fairly significant job anyway as to who is doing the checking. Are you asking them to do it and paying them? Will the Commonwealth pay the states for it?

**Mr Jackson**—It will depend in the end on what process we get to. We are not going to cross those bridges until we firm up our position. We do not want to be asking states to provide data and then do other things.

**Senator MURPHY**—I am sorry—I thought the position is fairly firm at the moment. You have a diesel grants scheme that, for all intents and purposes, is going to take effect on 1 July 2000?

**Mr Jackson**—Yes, that is right.

**Senator MURPHY**—And it is going to be applicable to a range of vehicles?

**Mr Jackson**—It is.

**Senator MURPHY**—I would have thought one of the fundamental issues—the one I have been asking about—is: how do you verify that the number of trucks, buses or whatever the case might be—the number of vehicles—and the weight and the tare of those vehicles and everything else is accurate? That is, you are actually paying a grant for something that actually exists.

**Mr Jackson**—That is right. One of the issues that we need to deal with in our thinking at the moment is that we would look to cross-reference with state registration databases. Whether in the end analysis that is the position that we adopt or reach and we are able to work effectively with that is still under consideration, but that would be our preferred approach.

**Senator MURPHY**—What does the registration show in terms of the location of a vehicle? It has an address, doesn't it?

**Mr Jackson**—Yes, it has an address of the registered owner of the vehicle. The vehicle itself does not have an address.

**Senator MURPHY**—I have difficulty understanding how you are actually going to have any chance of conducting a proper verification process.

**Mr Colmer**—It is really a question of balance. We are working on trying to put in place risk assessment processes so that we can actually check where there may be a problem emerging.

**Senator MURPHY**—But how do you do that?

**Mr Colmer**—To some extent that is something that is going to develop as the scheme unfolds because we do not have detailed experience at the moment with this scheme. This is a new scheme that is starting next year. We are trying to get in place a balance of requirements so that people can undertake their business and we can actually monitor the arrangements.

Some of these things are coming out in our discussions with the transport industry. Some of these things will be developed in the light of experience.

**Senator MURPHY**—Take the example I gave you. Somebody registers for the grant scheme and they register with four, three or whatever number of trucks. You say that at the moment you are talking to the states so that you can verify the registrations that exist et cetera. But what happens from an ongoing point of view in terms of sales? What happens if the vehicle goes kaput? Say the guy who owns it puts it in the shed around the back—just like bulldozers and other equipment—but still makes a claim for the grant? How do you verify that the claim is a legitimate claim?

**Mr Holt**—There will be a requirement on the claimant to advise us of details that are relevant for entitlement.

**Senator MURPHY**—I am sure that if somebody wants to defraud the system they are not going to be telling you, ‘Look, the truck that blew up last week is parked around the back but I am still lodging a claim for it because this is a very handy scheme, thank you very much.’

**Mr Holt**—Certainly there would be an obligation on them to advise us. If they did not advise us of such details, that would put at risk their entitlement to the grant.

**Senator CONROY**—If the truck breaks down, they have to advise you?

**Mr Holt**—If the truck were no longer eligible for the grant, if the vehicle is no longer eligible for the grant for whatever reason—

**Senator CONROY**—For payment it is no longer eligible?

**Mr Holt**—No, not if it is broken down. We were talking about sale and disposal and then we mentioned breaking down, so there are two distinct circumstances there which would affect entitlement.

**Mr Jackson**—In a sense there are two questions. One question is: what is the process? The process is as outlined: that people are required to notify us. But behind that is a risk assessment process: do we think that this particular client might be someone that we need to go and have a look at—to see if the truck has been disposed of or what has happened to it—or is the evidence that they provided us with sufficient? All these things are going to be the same: there is going to be a risk assessment process underpinning the activities. We are not looking to go out there, look at every single vehicle, talk to every single owner and watch every single person—because you cannot.

**Senator MURPHY**—You cannot do that literally.

**Mr Jackson**—We have no intention of doing that.

**Senator MURPHY**—But you could not anyway. Mr Jackson, I would suggest that the commissioner has said that you could not.

**Mr Jackson**—He may well do so. You would need to ask him.

**Senator MURPHY**—I do have a very serious concern with regard to the verification process. It is a new scheme. It is 6c a litre, isn't it?

**Mr Jackson**—It is 16.

**Senator MURPHY**—In the cases of some people, over a period of time that could realise reasonable amounts of money. Given the past history of the Diesel Fuel Rebate Scheme and the problems that were associated with it, I am not sure that you have progressed terribly much

towards putting in place a verification process that is going to work or even go close to working.

**Mr Jackson**—In the initial phases of the scheme, we would be looking much more closely at an education program than at heavy-handed enforcement, again on the basis that we believe generally people are going to do the right thing if they know what to do. So we will be out there in the first period of the scheme focusing strongly on whether they understand what the requirements are and what vehicles are eligible, how they are able to claim and what they should not be claiming for. We will be working through that sort of process with people so that they have a clear understanding of their entitlements and obligations. As things progress and particularly as the data that we have to hand grows, we will start to take a stronger focus of risk profiling and compliance and other enforcement activities.

**Senator CONROY**—So you might just have perfected it as the scheme fades out in two years?

**Mr Jackson**—Two years is a long time. We are probably talking about an interim period of four to six months while we undertake education activities and then we would start to look a bit more at the compliance side.

**Senator CONROY**—When will that education start?

**Mr Jackson**—Probably around March next year.

**Senator CONROY**—So you will have sorted out conurbations by March?

**Mr Jackson**—Conurbation is really a matter for the government. You need to ask the government about timing there.

**Senator CONROY**—You are not involved in discussions about conurbations?

**Mr Jackson**—We have provided some advice, but we are not in a position to discuss timings or details of the conurbation boundaries.

**Senator CONROY**—Now I am all confused. Who is handling it?

**Mr Jackson**—The minister, Senator Kemp.

**Senator CONROY**—Senator Kemp is in charge of drawing the boundaries?

**Mr Jackson**—Senator Kemp has responsibility for the decision.

**Senator MURPHY**—As to where the boundaries will be?

**Mr Jackson**—That is right.

**Senator MURPHY**—Are you people providing advice?

**Mr Jackson**—We have provided some advice to the government, yes.

**Senator CONROY**—How do you plan to educate people about where the boundary is?

**Mr Jackson**—There will be maps made available to show people.

**Senator CONROY**—Draw a line across the road?

**Mr Jackson**—Is that a suggestion, Senator? Would you like as to draw a line across the road?

**Senator CONROY**—Absolutely. Put a sign up with a flashing light saying, ‘You have now crossed the conurbation.’

**Mr Jackson**—We will certainly take your advice on board. I am not sure that that is a solution we would need to move to. To some extent it will depend upon the definition of a journey.

**Senator CONROY**—I suppose Senator Kemp is in charge of the definition of a journey, too, is he?

**Mr Jackson**—No; we are working through that with industry.

**Senator CONROY**—So we can ask you about that?

**Mr Jackson**—Please feel free.

**Senator CONROY**—What is the definition of a journey?

**Mr Colmer**—If you look at the legislation already passed, it defines the broad outline of a journey.

**Senator CONROY**—But you just said you were in negotiations, and so clearly that is not the final point.

**Mr Colmer**—If you let me continue: the definition of a journey becomes an issue for the trucks in the 4½- to 20-tonne range and the legislation defines a journey as being from point to point in a regional area, from a regional to a metropolitan area or between two different metropolitan areas. Where the definition of a journey becomes a matter for further definition is under what circumstances might a journey be an eligible journey for the purpose of this scheme.

**Senator CONROY**—Did you say an ineligible or an eligible? I did not quite hear what you said.

**Mr Colmer**—Either way; it does not really matter. You can define ‘ineligible’ or you can define ‘eligible’; it amounts to the same thing at the end of the day. That is something that we may do. The legislation suggests that we may make a determination which would be a disallowable instrument, if the commissioner chose to do that. We are still discussing that with the industry in detail, but I guess that goes to those sorts of issues as to when a journey commences and when it might end. That goes to the sorts of issues around where you might locate a depot and so forth, whether the journey starts when you leave the depot or when you pick up the goods and similar sorts of issues. The legislation does not define that level of detail and we are still discussing a range of possibilities with the industry on that.

**Senator MURPHY**—How will they finally be determined? By regulation?

**Mr Colmer**—It is a determination by the commissioner which will be a disallowable instrument.

**Senator MURPHY**—Will the commissioner give a ruling, or what?

**Mr Colmer**—It will be an allowable instrument, a formal determination and it will be presented to parliament.

**Senator MURPHY**—So it will be a regulation?

**Mr Colmer**—No. It will be a determination rather than a regulation, but it is a disallowable instrument.

**Senator MURPHY**—I understand. So it will have legal standing, if a dispute arises about whether it is from the depot or here or there?

**Mr Jackson**—That is right.

**Senator MURPHY**—If the company decided to take to task the definition or approach taken by the commissioner, is it a determination by the commissioner?

**Mr Colmer**—Yes. That is right.

**Senator CONROY**—To return to the conurbations, I appreciate that you indicated that the minister's office has the responsibility for that. Did you do the costings of it?

**Mr Jackson**—No.

**Senator CONROY**—Who did the costings?

**Mr Jackson**—You really need to direct that question to the government. I'm not sure who did the costing.

**Senator CONROY**—Are you all from Tax or just from Tax in Treasury?

**Mr Jackson**—Just from Tax.

**Senator CONROY**—Do you know whether Treasury provided the costings?

**Mr Jackson**—They could well have done.

**Senator CONROY**—It is just that they were fairly comprehensive. I am sure you have seen them.

**Mr Jackson**—I have seen some figures, yes.

**Senator CONROY**—They are costed down to the last million dollar. I am trying to understand how they were costed so accurately when the lines have not yet been drawn. That is not really a question you can answer.

**Senator MURPHY**—Or the journey has not been determined.

**Mr Colmer**—At the end of the day that is a very valid point, but it is marginal around those costings. Whether the line is drawn here or a kilometre there is not going to make a large degree of difference. I have not actually seen the costings myself.

**Senator CONROY**—That is a brave statement.

**Senator MURPHY**—There might be some significant kilometres in terms of conurbations.

**Senator CONROY**—If Tweed Heads were suddenly a marginal seat and Mr Anthony was suddenly included, there might be some very large costs.

**Mr Colmer**—My point is that the actual boundary around conurbation, I think you will find, will end up to be a marginal figure on the cost.

**Senator CONROY**—I wish I could be sure that it is going to be marginal. I wish I could share your confidence. They are very detailed costings and we assumed that you guys were involved in helping prepare them. So we were looking to see what the basis of the information was and which of those costings were produced. I guess you cannot help us at all. I am not even sure whether it was costed by Treasury. I will desist on that.

**Senator MURPHY**—You have been involved in discussions with the industry with regard to the determination of a journey.

**Mr Jackson**—Yes.

**Senator MURPHY**—In the Australian Trucking Association's submission, they are seeking to include an amendment in terms of the points between a point inside a metropolitan area and a point outside a metropolitan area. What is your position on that?

**Mr Jackson**—Our position is that it is non-directional. Is it a point in or out or out or in?

**Senator MURPHY**—It says 'between a point inside and a point outside of an area'.

**Mr Jackson**—Yes, the word their being ‘between’. That is the way it was drafted. I understand that there is some concern from the trucking industry about whether that is directional. From our perspective, in an administrative sense we do not see it as directional and would not apply a directional test to it.

**Mr Holt**—That is also indicated in the explanatory memorandum, that it is non-directional, and that a journey from inside a metropolitan area to a point outside a metropolitan area and a journey from outside a metropolitan area to a point inside a metropolitan area are both eligible. We have indicated that in the explanatory memorandum.

**Senator MURPHY**—I understand what it is proposed to say in the act is between a point outside the metropolitan area and another point outside the metropolitan area, between a point outside the metropolitan area and a point inside the metropolitan area, or between different metropolitan areas.

**Mr Holt**—That is the wording in the act.

**Senator MURPHY**—Yes. So what you say is non-directional about a proposal that says between a point inside a metropolitan area and a point outside a metropolitan area?

**Mr Colmer**—The word is ‘between’. It does not say that the trip has to go from a point outside to a point inside. It says that the journey has to be between.

**Senator MURPHY**—Explain to me how that is different from what you have in the act where it says a point outside a metropolitan area and a point inside a metropolitan area.

**Mr Jackson**—My colleague was saying that that is what the act says and that is the interpretation. It is not saying that it is from a point outside.

**CHAIR**—The gentlemen have already explained that the act is basically saying that it is non-directional and that explanation is in the explanatory memorandum. So the point raised by the trucking industry is covered.

**Senator MURPHY**—They must have thought it was not.

**CHAIR**—Yes, they must have.

**Senator CONROY**—Were you here earlier when the Trucking Association were presenting evidence?

**Mr Colmer**—Yes.

**Senator CONROY**—I was asking them what constituted a journey and how much a trip that took you across the line would constitute a journey. Would you give me your view on that?

**Mr Jackson**—Again, at this point we are in discussion with the trucking industry on the definition of a journey and what would be an appropriate one that would balance record keeping requirements against sensible administration. At this point, we do not see a split in journey distances as being a defining factor necessarily. If it is 10 per cent outside and 90 per cent inside, at this point we would not necessarily see that as a defining factor. If the journey falls within the legitimate definition of a journey, well so it would be.

**Senator CONROY**—So, if I just happen to drive across the line, do a U-ey and cut back across the line, I would be eligible?

**Mr Jackson**—I think you need to look at the definition in the act which you are suggesting it is from. You are living in Sydney, so you drive just outside the Sydney conurbation and

back into Sydney. That is not a journey from inside to outside; that is a journey from inside to inside.

**Senator CONROY**—If I stop then; if I went 100 metres down the road and stopped; I think you heard me say I am setting up a hamburger venture just outside the conurbation and I am going to accept deliveries and drop-off and pick-up points to add to my business. Would that qualify me?

**Mr Jackson**—That is where we are in our discussions at the moment.

**Senator CONROY**—I am asking for your view. What is your current view? You must have a current view.

**Mr Jackson**—I have not formed a view on that at this point.

**Senator CONROY**—Do you think it is likely that that circumstance would qualify for the grant, if you drove across the line, parked, dropped something off?

**Mr Jackson**—I would not want to speculate.

**Senator CONROY**—I know a lot of truck drivers who would like you to, so that they can get on with planning their businesses, or their new businesses in my case.

**Mr Jackson**—The reason I would not like to speculate is that I am conscious of the fact that people may seize on that as a position.

**Senator CONROY**—This is an inquiry into a bill before parliament that we have to vote on, next week presumably. Is there any chance that you might be able to speculate before the bill has to be voted on?

**Mr Jackson**—It is unlikely, I suspect. As my colleague mentioned earlier, the definition of a journey is likely to be put into a determination and that will come before the parliament.

**Senator CONROY**—I am wondering why you actually came, if you are not in a position to tell us anything about any of your discussions with the government, which is the usual situation, or your ongoing consultations. It was good of you to turn up.

**Mr Jackson**—Thank you.

**CHAIR**—I remind senators that you cannot ask departmental officers of the Commonwealth or a state about opinions on matters of policy.

**Senator CONROY**—I have not asked them their opinion. I have asked them what the policy is.

**Mr Jackson**—I thought you asked in a number of ways: what is the definition of a journey? At this stage, we are not in a position to make a firm statement on that and I would not like to make a speculative statement in the light of misleading people, in case the subsequent position is somewhat different.

**Senator CONROY**—I will change the subject then and make us all happy—maybe not me. In his press release of 31 May, the Prime Minister said:

The extension to the off-road concession for diesel and like fuels will be limited to providing full credits for marine use, bush nursing homes, hospitals, nursing homes, aged persons homes and private residences, but not for construction, power generation, manufacturing or forestry. The proposed full credit for mining currently accessing the DFRS will be maintained.

Are you familiar with that press release?

**Mr Jackson**—Yes, I have seen that.

**Senator CONROY**—And then the government introduced the Customs and Excise Amendment (Diesel Fuel Rebate Scheme) Bill, which was passed by the Senate on 28 June 1999. This bill specifically limited the amount of rebates for diesel used in forestry: is that right?

**Mr Holt**—That is right.

**Senator CONROY**—And Minister Anderson commenced his second reading speech by stating that the bill:

. . . implements changes to the Diesel Fuel Rebate Scheme agreed with the Australian Democrats as part of the package of environmental measures that will now accompany the introduction of the new tax system on 1 July 2000.

**Mr Holt**—I recall that to be correct.

**Senator CONROY**—Minister Tuckey then claimed that this legislation was a mistake and that the government had never intended to reduce the rate of rebate to forestry. Are you familiar with that statement?

**Mr Holt**—Yes.

**Senator CONROY**—Are you able to shed any light on that confusion at all?

**Mr Holt**—No, I am not. That is a matter of policy.

**Senator CONROY**—It just seems to be the exact opposite to the policy that the Prime Minister had enunciated. That would seem a fair comment; forestry out and forestry in seem to be opposites.

**Mr Jackson**—I think you need to direct those questions to government. We are not in a position to answer questions about that.

**Senator CONROY**—You can feel free to plead the fifth. It is all right. I was just hoping that we could have got some indication as to what caused the 180-degree turn, but I guess you guys will plead the fifth. Senator Greig, Senator Gibson—anything to enlighten the parliament?

**CHAIR**—No.

**Senator GREIG**—Is that a question to me?

**Senator CONROY**—Yes. I am just throwing it open for general discussion.

**Senator GREIG**—As you know, I was not on deck.

**Senator CONROY**—As I said to you at the beginning, I will not hold you responsible for this.

**Senator GREIG**—But, of course, you do not need to produce the murder weapon to convict the murderer. The intention of the Democrats is very clear in terms of forestry. I made that point earlier, only to be pulled up by the chair for stepping outside the bounds of what constitutes standing orders for committees, which I have just learned about.

**Senator CONROY**—Brian has often got his views on standing orders. He often has to retract them. So you should feel not constrained.

**Senator GREIG**—I have some sympathy for these guys from the ATO. They are not in a position to answer that. But, as far as the Democrats are concerned, the position is not unclear.

**Senator CONROY**—So, is forestry in or out?

**Senator GREIG**—It is out.

**Senator CONROY**—Doesn't this bill put it back in?

**Senator GREIG**—It does.

**Senator CONROY**—Does that mean we get to revote on the GST?

**CHAIR**—Senator—

**Senator CONROY**—I am more confused now than when I started, but I guess that is my bad luck.

**CHAIR**—We are looking at the clauses of this bill. It would help if you would return to them please.

**Senator CONROY**—Thank you, Chair. You may be in negotiations and not able to answer this. The ATA this morning talked about the problem of rigid trucks and trailers. Are you in a position to clarify anything on that, or are you in negotiations with them as well?

**Mr Jackson**—That is a matter that is in the legislation and, therefore, a matter of policy. There have been some discussions. The trucking industry raised it at our last industry meeting. But we are not in a position to alter that. That is something to talk to the government about.

**Senator MURPHY**—In terms of the tare of vehicles, the argument was that it will affect trucks that come as a unit, and some do—for example, a 10-yard tipper with a further 10-yard tipper trailer as a unit. When they need to cart 20-yard lots they use both; when they have 10-yard lots they use one. It comes back to this verification point.

**Mr Jackson**—I understand how the vehicles are used.

**Senator MURPHY**—But it does raise this question again about verification. How do you know if they have the trailer on or not?

**Mr Jackson**—At the moment it does not matter, because it has to be the rigid vehicle. It has to be the mass of the vehicle. The trucking industry's proposition was that the trailer should be included.

**Senator MURPHY**—But the ATA was saying that some weights of vehicle become eligible if the trailer is included, but without the trailer they are ineligible. As I understood it, that was their argument.

**CHAIR**—That was their request. As the legislation stands all trailers are excluded. They were making a request for inclusion of permanently attached trailers. That is what they were on about.

**Senator MURPHY**—That is right. That is what I am saying in asking a question about verification. If it goes in—

**Mr Jackson**—From an administrative perspective, the addition of a trailer, which may or may not be attached, does add some additional complexity. But at the moment that is not how the legislation stands. Articulated vehicles are in—that is, semitrailers: a prime mover and a trailer.

**Senator MURPHY**—What about, say, in the case of some B-double arrangements?

**Senator CONROY**—I was going to ask that myself. I presume they are fixed trailers—B-doubles and B-triples.

**Mr Jackson**—If it is an articulated vehicle, it is in. If it is not, it is out. Are you talking about the ones that have a separate articulation on the back?

**Senator MURPHY**—I am trying to think of some B-double arrangements and B-triples—I am not sure of the technical terms. Certain sections of some of those can be detached.

**Mr Holt**—Are you talking about prime movers—semitrailers?

**Senator MURPHY**—Yes.

**Mr Holt**—I would expect they would already be over 20 tonnes with the first trailer attached, and then subsequent trailers would only add to the tonnage.

**Mr Jackson**—If those are the ones I am thinking of that you see with the large link—

**Senator MURPHY**—Some jinker types might not. I am not sure.

**Senator CONROY**—There are two very distinct types. One is with a long, thin link and something that clearly looks like a trailer the back.

**Mr Jackson**—That is the dog arrangement. The other ones are the ones with a separate articulation at the back. As Peter is suggesting, I think you would find those are already over 20 tonnes with the front trailer. But, if you would like us to inquire and give you some more detail there, we can.

**Senator MURPHY**—If we could have something looking at the other detachable trailer arrangement, because I think I have seen some. You may be right, but it might be worthwhile investigating. They are particularly used in, say, the harvest of pine timber.

**Mr Jackson**—Yes.

**Senator MURPHY**—I have seen some others used, but I cannot recall what they are used for.

**Mr Jackson**—If you are looking at a normal articulated vehicle, the range of weights is 30 to 40 tonnes. So, if you have an articulated vehicle already, it is pretty unlikely it will not be over 20 tonnes, irrespective of whether you have a separate articulation on the back.

**Senator MURPHY**—What is the weight of a prime mover and a jinker?

**CHAIR**—A prime mover and a jinker would be over 20 tonnes. Normal gross vehicle mass is about 45 tonnes, and there is a 22-tonne load with a normal semi.

**Senator CONROY**—If I could have the indulgence of the chair for just a moment, Senator Greig indicated that Senator Lees had made her position clear on this. I was wondering whether it is possible for the committee to get a copy of that. I am presuming it is just a press release you can supply to the committee.

**Senator GREIG**—If it exists, I am happy to do that.

**Senator CONROY**—Thank you. The bus association—as I am sure you heard this morning—indicated they believe there will be a three per cent increase in bus fares. Would you concur with that?

**Mr Jackson**—I heard them make that statement. I am not in a position to concur or otherwise.

**Senator CONROY**—It seems logical, though.

**Mr Jackson**—You would need to ask someone who is an expert in the field. I am not an expert in the economic effects on price differentials in buses.

**Senator CONROY**—Congratulations, on behalf of Senator Gibson, in case you missed it.

**Senator MURPHY**—Could you provide some information once you have finalised your negotiation with the states on registration, et cetera, about what that arrangement is? Also, could you provide information with regard to the resale and verification processes that you might have in respect of transport operators that move from state to state in pursuit of work, where you will have a vehicle registered, say, in one state that may go and work in another state or territory simply because they are in pursuit of work. How do you intend to deal with that issue?

**Mr Jackson**—The site of registration of the vehicle is irrelevant to the operation of the scheme. Are you concerned that they might be double registered?

**Senator MURPHY**—No. You just made an interesting statement. Is the registered address of the vehicle irrelevant to the application of the scheme?

**Mr Jackson**—That is right.

**Senator MURPHY**—Barring current state registration laws—that a vehicle can remain non-territory or non-state registered within the state in which it is currently operating for a period of only six months or 12 months; there may be variations, but it is something like that—if a truck, say, goes from Tasmania to the Northern Territory and works in the Northern Territory, the grant applicant resides in, and has made an application from, the state of Tasmania. Will you still pay the grant if the application is for transport operations in the Northern Territory?

**Mr Colmer**—As long as they are generally eligible for the scheme, yes. It does not matter that the truck is operating outside its home state.

**Mr Jackson**—As long as the journey, the vehicle and the fuel are eligible, they are entitled to make a claim.

**Senator MURPHY**—Can I go back to the question I asked you before about how you intend to verify a lot of these things, both from the registration point of view and the point of view of how you then intend to keep track of vehicles and claims. It seems to me you might have a lot of problems. I would appreciate some information about that and about when you intend to finalise with the states the data matching processes for registration so that you can check, when people apply for this grant, that they have the number of vehicles, or indeed that they actually have a vehicle eligible for the scheme.

**Mr Jackson**—Okay.

**Senator GREIG**—As I understand it, there is no provision in the bill that requires a trucking business operator, for example, to demonstrate to the ATO or to any authority that they and their business are located within the region that is eligible for the grant. I am wondering whether that really matters and whether the ATO has a view either way.

**Mr Jackson**—It is the operation of the vehicle which matters, not where it is based. It is site independent. That is the way we are currently considering our administrative apparatus.

**CHAIR**—Thank you, officers, for appearing before us this morning.

**Committee adjourned at 11.42 a.m.**