

LPG Australia – Submission to House of Representatives Economic Committee
FINAL

25 May 2011



The Committee Chairperson

House of Representatives – Economics Committee
 Inquiry into the Taxation of Alternative Fuels

See Distribution.

LPG AUSTRALIA

SUBMISSION ON

INQUIRY INTO THE TAXATION OF ALTERNATIVE FUELS BILLS

- References:
- A. Australian Government - Implementation of Alternative Fuels Taxation Policy Discussion Paper, dated October 2010
 - B. Taxation of Alternative Fuels Legislation Amendment Bill 2011
 - C. Energy Grants (Cleaner Fuels) Scheme Amendment Bill 2011
 - D. Excise Tariff Amendment (Taxation of Alternative Fuels) Bill 2011
 - E. Customs Tariff Amendment (Taxation of Alternative Fuels) Bill 2011
 - F. LPG Australia Submissions (4) to Treasury and ATO – The Introduction of Excise on Alternative Fuels, dated January – April 2011.

In response to a request from the House of Representatives Economics Committee (Committee), as part of the inquiry into the taxation of alternative fuels bills, the Australian Liquefied Petroleum Gas Association (LPG Australia) wishes to provide a *Submission* on the matter of the Taxation of Alternative Fuels Bill.

LPG Australia is Australia's leading industry association and national peak body responsible for the development and growth of the Liquefied Petroleum Gas (LPG) industry for the benefit of the national interest, its members and the broader Australian community. LPG Australia has over two hundred members including some of Australia's largest energy companies such as: Origin Energy, Elgas Ltd and Wesfarmers Kleenheat Gas. Small to medium size manufacturers and technology companies are also well represented through our membership base. These include Orbital Autogas Systems, IMPCO Pty Limited, CEM International, D. J. Batchen and many others.

Please note that a number of LPG Australia members may also prepare independent submissions to the Committee on the proposed Bill.

This *Submission* follows previous submissions LPG Australia has provided to the Australian Government on the implications that the introduction of an excise on LPG will have on the consumer, small business and the LPG Industry. Essentially, addressing the third and fourth Bill vide Reference F. In addition, LPG Australia has provided submissions on the *Carbon Pollution Reduction Scheme Green Paper*, the *Henry Tax Review* in 2009, and the *LPG Australia Submission to Treasury – Implementation of Alternative Fuels Taxation Policy*, which provide a broad overview on the critical impact of taxation on the use of LPG as an automotive fuel.

The Committee is requested to read the above submissions in order to understand the background, rationale and context of LPG Australia's concerns and LPG Australia's policy position.

LPG Australia wishes to re-inforce in the strongest possible terms that a clear disconnect exists between the development of a comprehensive alternative fuels policy and the proposed taxation framework. We have taken this opportunity to provide additional comment on the specific implications of developing a taxation policy in the absence of an alternative fuels policy, the subsequent impact on the LPG industry and consumer, and LPG Australia's preferred approach.

LPG Australia has continued to negotiate in good faith with the Federal Government and, in particular, with the Assistant Treasurer, to have this Bill amended. However, the time restraints imposed on these negotiations due to the ethanol factor (contained in the Bill) have made these important deliberations exceedingly difficult for all parties.

LPG Australia has emphasised to the Government that in light of the proposed imposition of a carbon tax in July 2012 and then, in the same context, talk about compensation for petrol but at the same time rush to impose a tax on a lower carbon fuels such as LPG, appears inconsistent with the Government's intent on carbon reduction.

LPG consumers – working families – and small business deserve to have a fairer hearing on such an important piece of legislation, which if passed unamended, will have a direct and irreparable impact on their ability to access a more affordable, greener alternative fuel.

LPG Australia acknowledges and appreciates that the Government has included LPG Australia's preferred Tax Compliance Model. However, that does not detract from the overwhelmingly negative impact this Bill will have on consumers, small businesses, the environment, the economy and the potential of the LPG industry to deliver a less expensive and green transport fuel for Australia.

1 Recommendations

It is recommended that the Committee:

- a. Advise the House of Representatives that the Bill, as currently prescribed, will deliver very poor Government and Public Policy outcomes associated with the critical areas of energy security, carbon reduction, and the impact of an unnecessary fuel tax on working family budgets and, as such, should not be passed.
- b. Propose an amendment to the Bill that would (in effect) decouple LPG from ethanol in order that the impact to consumers, small business and regional communities, of the proposed excise on LPG, can be fully considered by the Government without the time constraints being imposed by the current ethanol inclusive Bill.

The proposed period of delay; 1 December 2011 to 30 June 2012, will enable the Government to:

- 1) finalise the development of the Alternative and Gaseous Fuels policy, currently in progress via the Government's *Alternative Fuels Strategic Industry Group*;
- 2) finalise its carbon tax policy as it pertains to transport fuels;
- 3) fully understand and appreciate the required long-term investment by Government, the LPG industry and the consumer, demanded by the Government's *Australian Automotive Vision 2020* policy; and
- 4) continue to work with the LPG industry, consumers and regional communities on options available to minimise the potential impact of an excise on LPG.

2 Additional Considerations

No policy ...no tax

Currently, the Government has no Energy White Paper, and no Alternative Fuels or Gaseous Transport Fuels policy.

It is imperative that the Government vide the *Alternative Fuels Strategic Industry Group* establish concise policy settings prior to determining if any excise should be applied to alternative fuels.

Providing industry with the confidence and assurance of a stable policy landscape will enable the industry to continue to invest in the development, growth and innovation of its national infrastructure, technology and consumer services.

Taxation, simply applied to generate revenue in total absence of policy, will at best deliver ever declining revenues as the Industry and the consumer move away from LPG and, at worst, destroy an industry that has the immediate and long-term potential to offer a substantial contribution to the national interest in the areas of energy security and carbon reduction.

75% of Australian consumers say no to a new Federal tax on cleaner and greener LPG: a new 1000+ survey

Almost four out of five Australians say they are concerned about the Federal Government's proposed tax on the cleaner, greener alternative fuel LPG - a tax that could send the cost of the green transition fuel sky rocketing, see taxi fares rise and cripple Australia's fragile LPG industry.

The independent survey¹ of more than 1000 voters, commissioned by LPG Australia, also found that almost three quarters of consumers want their Federal MP to vote against the tax.

The survey covered the electorates of the key Independent MPs, select regional MPs and those in lower socio economic areas where cost of transport and living are critical issues for the community.

In electorates such as Lyne (Independent MP, Mr Rob Oakeshott) nearly one third of consumers said they drive an LPG-fuelled car. Almost two-thirds of Australians who have taken up the Government's LPG conversion grants in the past four years live in outer metropolitan and regional/rural communities. Even those consumers who don't use LPG directly were concerned (63% and 42% very concerned) about the proposed tax.

Unlike the mining tax, which many people see as a penalty (rightly or wrongly) against big business, this tax is seen as an absolute punishment on fellow working families - families, who want and need the cheaper transport option, and who were encouraged to switch with the assistance of a Government rebate because it is a considerably greener fuel.

If the Government goes ahead with its plans to tax LPG it will drive the cost of LPG upwards and remove LPG as an affordable option for Australians to use as a greenhouse-friendly transitional fuel.

LPG cars emit up to 13% less harmful carbon emissions than vehicles operated on petrol and diesel and importantly, for the 700,000 families and small businesses who rely on this exception energy, LPG costs up to 50% less at the bowser than petrol.

LPG Australia is working with consumer organisations and the taxi, courier and public transport and the LPG manufacturing and retail sectors, to demonstrate to the Government the unintended consequences of such an ill-considered tax.

¹ LPG Australia – A New Tax – a National Perspective www.lpgaaustralia.com.au

The Survey follows “town hall”-style meetings in Tamworth, Penrith and Hobart attended by representatives of consumer groups, small business, agricultural businesses, taxi fleet owners and the LPG industry. Out of these meetings, concerned community and business leaders signed a series of communiqué calling on the Government to rethink the tax before the damaging unintended consequences are realised.

The Government must realise that continuing incentives for LPG conversions and removing the threat of a tax will deliver a three way win for families, the economy and the environment.

Voters in Regional Australia don't want their MPs to vote for a tax on LPG.

The Federal Government risks the wrath of consumers in regional Australia and elsewhere if it imposes a tax on LPG, a greener, cheaper alternative fuel used extensively by working families, taxi drivers, small businesses and those living in regional Australia.

While cheaper at the pump, motorists have matched the Government dollar for dollar to convert their cars from the costlier petrol and diesel, to LPG. This is a significant financial commitment for families doing it tough.

An independent survey ², of more than 1000 Australians commissioned by LPG Australia, strongly supports this statement. This is especially true for those families living in key electorates such as the Western Sydney marginal electorate of Lindsay (held by the Parliamentary Secretary to the Treasurer, Mr David Bradbury MP) and those held by the key Independent MPs Messrs Rob Oakeshott and Tony Windsor.

LPG costs up to 50% less at the bowser and emits up to 13% less harmful carbon emissions than the more expensive petrol. A working family or small business operator who decides to use LPG, over petrol or diesel, because it is cheaper and greener should be supported and encouraged in their decision, not punished by Government through an unnecessary tax.

In the Survey, almost four out of five Australians say no to a tax on LPG. In NSW, the results were very clear - specifically the electorates of Lindsay, New England and Lyne - the latter having among the highest usage of LPG in Australia.

Voters in the electorate	Lindsay	Lyne	New England
Chose to use LPG	17%	27%	18%
Concerned with tax	18%	23%	32%
VERY concerned with tax	60%	51%	51%
Don't want their MP to vote for tax	66%	78%	76%

More importantly, an overwhelming margin of voters in these electorates say they do not want their MP to vote for this tax. The legislation is due to be debated in Parliament this month. This follows the signing of communiqués by community and small business leaders calling on the Government, the Opposition, the Independents and the Greens to reject the legislation taxing LPG. The communiqués were signed at ‘town hall’ style meetings in Tamworth, Penrith and Hobart.

² LPG Australia – A New Tax – a National Perspective www.lpgaustalia.com.au

Taxi industry – impact of an excise on LPG on 370 million passengers

During the Australian Taxi Industry Association (ATIA) National Conference in Hobart this month, taxi drivers, fleet operators, licence owners and taxi network representatives, met to discuss concerns about the impact of a new and unnecessary tax proposed for the primary fuel used by the taxi industry, LPG.

The taxi industry calls on the Federal Government, the Greens, the Independent MPs and the Coalition to recognise ATIA's urgent concerns. These include, but are not limited to:

- a. The introduction of excise on LPG is at total odds with the Government's policy on energy security and carbon reduction. Why tax an alternative fuel that will underpin our future energy needs, and is cleaner and greener than petrol and diesel?**
- b. LPG is a cheaper, greener alternative fuel choice for the taxi industry. A taxi powered by LPG emits up to 13% less carbon emissions than a petrol-run taxi. It is also up to 50% cheaper than petrol at the bowser.
- c. The proposed 12.5 cents per litre increase in price, plus industry tax compliance costs, plus GST, will likely destroy the market for LPG. The impact of an excise will hit the taxi industry and our 370 million passengers the hardest.**
- d. If the excise is introduced many jobs in the taxi industry could be lost. The increase in costs to many of our passengers will be unbearable. Our drivers and fleet operators will not be able to afford to absorb such a price hike either.
- e. Many taxis, limousines and courier vehicles in Australia are powered by LPG. If an excise is imposed, the cost impact on these vehicles will be significant. This will have a negative impact on many Australians already struggling with the increased cost of living, including the elderly and people with disabilities who rely on taxis for mobility.
- f. Many taxi licence owners and fleet operators feel they were 'duped' into converting their vehicles to LPG and opting to use the greener gaseous fuel to run their business. The Government encouraged LPG conversions with rebates and other incentives. When taxi fleet operators opted for LPG, they did so in good faith. They believed they are doing the right thing by the environment, their business and customers.**
- g. If the LPG Autogas market collapses in Australia, it will impact all consumers and businesses reliant on supply chain economies of scale for cost effective LPG. There will be a flow-over effect to the industrial and residential sectors.
- h. If a carbon tax is imposed, potentially a further 4.5 cents per litre would be added to the cost of LPG - a double whammy for those who can least afford it.**

ATIA, taxi licence owners and fleet operators, 66,000 drivers and the 370 million passengers transported each year call on the Government, Coalition, Green and Independent MPs and Senators to support the Industry's continued access to the cheaper, cleaner and greener fuel - LPG. The industry believes the current incentives for consumers to convert to the cleaner fuel from the dirtier, costlier petrol must be maintained. An excise on LPG will punish those passengers and consumers who are already struggling with a rising cost of living and who need the cheaper alternative option.

The Taxi Industry strongly believes that any excise will hurt the taxi industry, bring the LPG industry to its knees, and will hurt other industries and small businesses that rely on LPG.

The Federal Government must work with taxi industry representatives, consumer and motorist advocacy groups, and the LPG industry, to support Australia’s access to this exceptional energy. Australia has abundant supplies of LPG supported by extensive national infrastructure. LPG produces less harmful carbon emissions and provides a cheaper alternative fuel for all Australians.

3 Conclusion

Taxation devoid of Government policy will deliver short-term and poorly framed and executed Government and Public policy outcomes. The rush by Treasury to secure an additional revenue stream through the imposition of excise on alternative fuels without any consideration as to the impact on consumers, small business, regional communities and the LPG industry, reflects extremely poor Government policy.

Dismissing, then decoupling the Bill will enable the Government to further consult with all key stakeholders in isolation of the ethanol issue, which appears to be the pervading consideration in terms of the timeline imposed by current legislation.

By creating more time to consider the LPG issue, it will also enable the *Alternative Fuels Strategic Industry Group* and the Department of Resources Energy and Tourism (DRET) to finalise government policy in respect to alternative and gaseous transport fuels.

The additional time will also allow the Government finalise its policy in respect to the carbon tax and its impact on transport fuels.

With respect to the Committee’s considerations, the current Bill is unacceptable in terms of the negative and crippling impact a tax on LPG will impose on consumers, small business and the LPG Industry.

Thank you for your consideration.

Yours sincerely

Michael Carmody
Chief Executive Officer

Distribution: House of Representative Economics Committee
The Hon. Bill Shorten, Minister for Finance and Superannuation
Australian Government - Treasury
Australian Tax Office
LPG Australia

For Information:
The Hon. Martin Ferguson, Minister for Resources, Energy and Tourism

Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research