



Bituminous Products Pty Ltd
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Wednesday, 24 May 2006

The Secretary
Senate Economics Legislation Committee
Suite SG.64, Parliament House
Canberra ACT 2600
Email: economic.sen@aph.gov.au

Dear Sir/ Madam,

Re: Submission Fuel Tax Bill

Bituminous Products manufactures a range of bitumen based products for road sealing and industrial purposes. Waste oil is used as a raw material in some of our products including:

1. Precoat (bitumen dissolved in oil plus adhesion agents) which is used to coat gravel to make it adhere to bitumen in road sealing.
2. Industrial bitumen (hard bitumens) which is used for paints, sealants, carpet backing and automotive sound deadening.

We receive the waste oil from contractors who collect it from automotive repair facilities, wreckers and the like. We pay \$0.13 per litre for the raw waste oil.

Waste oil, as collected, may contain up to 20% water and glycols from brake fluid and coolant etc. Typically, the water content is about 5%. Our products cannot tolerate water, so it must be removed. We heat the waste or "wet oil" to 150°C and boil off the contaminants to produce a "dry oil" which is then used as a raw material in our products.

The ATO is proposing that we pay \$0.38 per litre for oil dried on a weekly basis and then claim a rebate via our BAS for dry oil used in our products on a quarterly basis. This means that we would have to provide for about \$200,000 out of our cash flow. It will also mean that we will need to conduct a mass balance and complete a weekly return that we do not currently need to do.

Alternatively, we would pass the 38 cents per litre onto our customers and they would claim it on their BAS. The amount of oil used in these products varies according to the quality of the oil and the bitumen feedstock and also may vary according to the time of year in order to achieve viscosity specifications. Our pricing would be variable and would cause significant difficulties for our customer's accounting systems. We would need to disclose our formulations both

qualitatively and quantitatively which would erode our commercial advantage. Clearly, this will not work.

Our competitors for these types of products are the Oil Companies who use virgin materials and would therefore not need to charge the 38 cents. If our customers have the choice of a duty free product with no need to file a claim to recover the duty; or a product which they will have to pay the duty and then claim back quarterly, it is not hard to imagine which product they will buy in future. This would have the effect of removing us as a competitor and put us out of business. It will also eliminate a legitimate recycling initiative which beneficially recycles over 2,000,000L of waste oil per annum.

The effect would be anti-recycling because the 2,000,000L of waste oil which is consumed now would be substituted with virgin non-renewable materials.

Our end products cannot be used for fuel anyway, because they contain bitumen, in fact, the industrial bitumen is a solid below 100°C.

During the winter, we find it difficult to source sufficient wet oil to maintain supply because it is used to heat green houses and poultry sheds. These businesses also pay about 13 cents per litre for wet oil which they burn for heating. If we sold our dry oil for fuel, we would need to charge at least 70 cents per litre to cover costs and make some profit. Why would anyone pay 70 cents for something they can get for 13 cents that does the same job?

The point is that the only reason that the 38 cents would apply to our process is to prevent the dry oil or our products being used as a fuel. It will not achieve this aim because our products cannot be used as fuel. It is physically and economically impossible for the dry oil and/or our finished product to be used as fuel. We provide a legitimate and socially beneficial means of dealing with a problem waste. The dry oil is used as a direct substitute for virgin oils that are non-renewable.

As a result of this bill, we may be put out of business, or at best, we will have more complexity of administration and reporting and a \$200,000 liability that we currently don't have.... and all for no positive result. These impositions on our business have no positive trade-off for anyone... it is sheer waste and unnecessary bureaucracy.

Yours sincerely

Neil Morcombe
General Manager