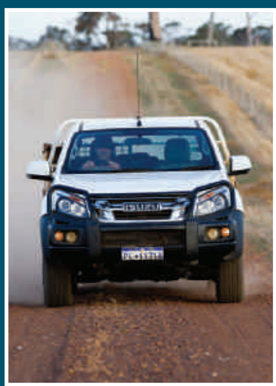

Powering Regional Australia

The case for
Fuel Tax Credits

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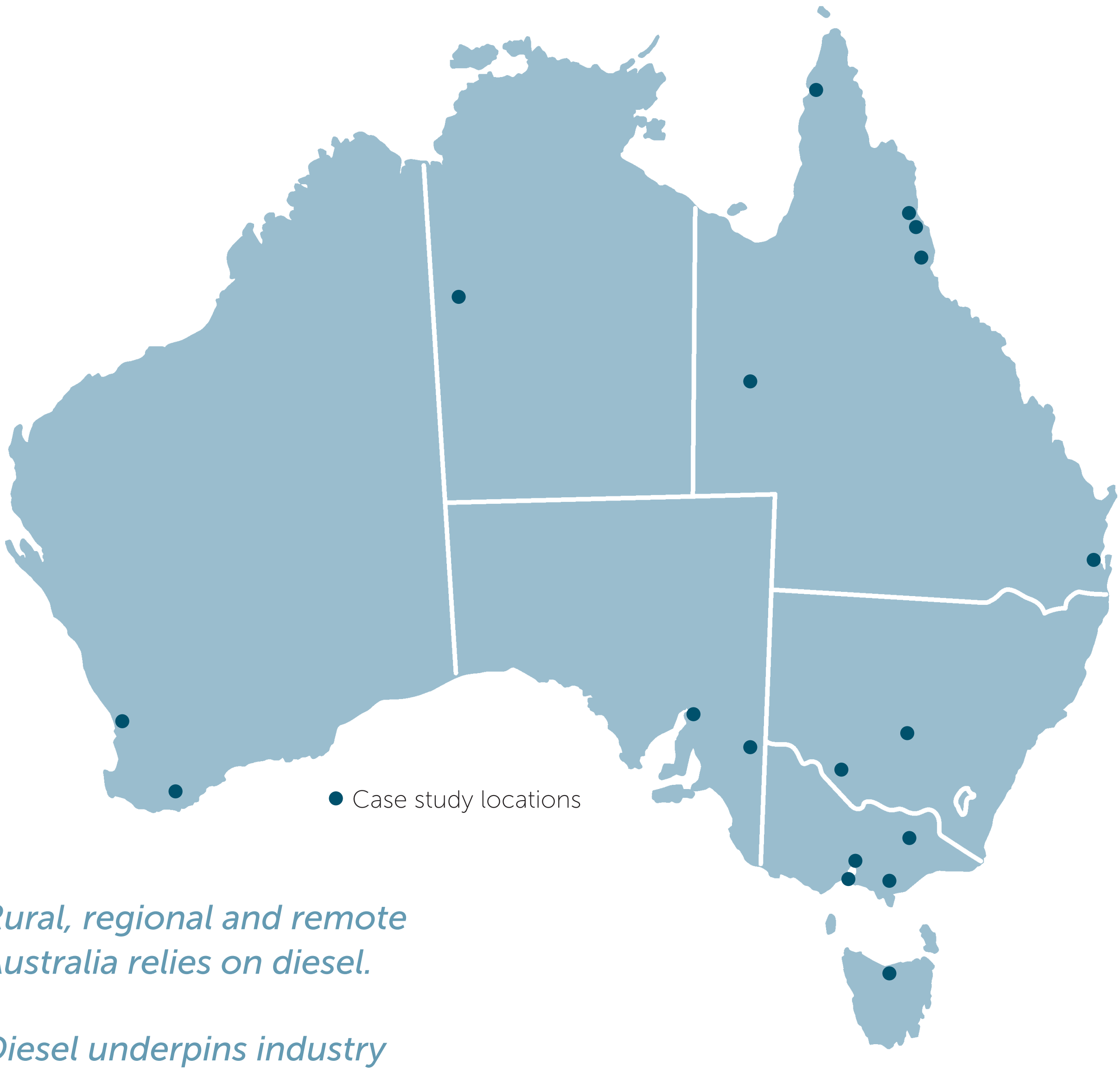
Everything on Green Island Resort is powered by diesel - from the air-conditioning in the hotel rooms to the water desalination plant.

Tony Baker
Managing Director
Quicksilver Group, Queensland

The use of diesel in Australia



Rural, regional and remote Australia relies on diesel.

Diesel underpins industry productivity and competitiveness, supports communities, businesses and essential services.

Value of major Australian industries using diesel off-road

$33b
Agriculture

$9b
Maritime

$124b
Construction

$99b
Mining

$2b
Fishing

$35b
Oil & Gas

$20b
Forest & Wood Products

$40b
Tourism

About fuel excise

Fuel excise was introduced in Australia in the 1920s for the specific purpose of road funding. It was extended to diesel in the late 1950s to help cover the cost of road building and maintenance.

Rebates for fuel excise are a long-standing feature of Australia's tax system, existing in various forms for diesel since 1957.

From 1957 off-road diesel users were exempt from the excise at the petrol pump through an exemption certificate scheme. Over time, governments determined this system had integrity issues and was difficult, and costly, to administer.

In 1982 the Diesel Fuel Rebate Scheme (DFRS) was introduced, which enabled eligible users to claim back the excise through the completion and submission of relevant forms to government.

The DFRS was limited to primary producers, miners, users of diesel for heating, lighting, hot water, air-conditioning and cooking for domestic purposes and for diesel fuel used at hospitals and aged care homes.

From 1 July 2000 the DFRS was extended to rail and marine transport. Rebate rates, which had varied according to use, were made equal for all eligible activities.

With the introduction of the GST in 2000 the diesel fuel rebate became claimable through the Business Activity Statement (BAS) in the same way, and at the same time, as GST credits.

In 2006 the Fuel Tax Credits Scheme was introduced. The *Fuel Tax Act 2006* broadened the criteria for claiming fuel tax credits by cancelling the urban-rural boundaries that previously applied and extending the rebate to lighter fleets.

Fuel tax credits are available to all businesses, in all parts of Australia.

It's a long-standing policy principle that governments do not tax business inputs. The introduction of this practice would add to business costs and create economic distortions.

'The system is intended to remove or reduce the incidence of fuel tax from business inputs, so that its incidence falls primarily on certain private consumption of fuel. This limits the impact on production decisions. For example, fuel tax credits mean that all electricity generation using liquid fuels is effectively free of fuel tax, in the same way that coal or natural gas inputs to electricity generation are untaxed.'

'Architecture of Australia's tax and transfer system' (Henry Review of Taxation)
Treasury, 2008

Without diesel-powered tugs, Australia literally stops.

Teresa Lloyd
Chief Executive Officer
Maritime Industry Australia Ltd, Victoria

Hayden Cudmore
Griffith, New South Wales

Farming is in Hayden Cudmore's blood.

The third generation on his family's irrigated farm outside Griffith NSW, Hayden started as his parents' employee in 1983.

In 1994, Hayden bought into the family business and now farms 800 ha with his wife Veronica and his three children.

Growing rice, wheat, canola, sheep and turf, Hayden is kept busy.

'We use a large amount of diesel in our business,' Hayden says. 'Preparation of land for farming, harvesting crops and simply driving the ute around the farm to check on stock.

There's not a single day I don't use diesel on-farm in some way.'

While gravity moves irrigation water around the farm, diesel pumps underwrite a back-up system for annual crops, such as rice.

'Linked to the dam, they can pump water to crops, if and when they need it,' he says.

'We might spend around $80 000 a year on diesel. It's a significant business input,' Hayden says.

He has recently invested in a diesel pump with the sole purpose of mitigating high electricity prices. The certainty around the fuel tax credits scheme underpins that investment.

'Farmers can't control commodity prices. We compete in a global market. So any investment that reduces my costs and keeps me competitive, I'll take it.'

With 85 per cent of Australia's rice crop exported, international competitiveness is critical.

'Australian rice growers compete in a highly distorted market,' Hayden says.

'Australians are the most efficient rice growers in the world. But we operate on the slimmest of margins.

'Getting rid of fuel tax credits would increase our costs, further undermine our competitive capacity, impact on our ability to continue employing staff and basically make it difficult to stay farming.'

Fuel tax credits are vital to regional Australia

Diesel underpins the operation of some of Australia's most important sectors, including mining, agriculture, forestry, fisheries, regional tourism, construction, transport and manufacturing.

Many of these sectors are based, or have large investments, in rural, regional and remote Australia.

Fuel is a vital input for a range of businesses in these sectors. Diesel is used off-road in vehicles, generators for power supply and in heavy equipment.

The fuel tax credits scheme ensures these businesses are not disadvantaged by paying excise on the off-road use of diesel in the production of goods and services.

Beyond industrial use, diesel is also used for heating and lighting of hospitals and aged care homes, emergency services vehicles, regional tourism infrastructure and domestic household power generation.

The *Fuel Tax Act 2006* automatically operates to offset the government's excise for off-road use of fuel by businesses and non-transport uses of fuel such as electricity generation.

It should be remembered that energy access is restricted in the regions.

In 2011-12, generation of off-grid electricity represented 6 per cent of Australia's total electricity generation and supplied around 2 per cent of Australia's population.

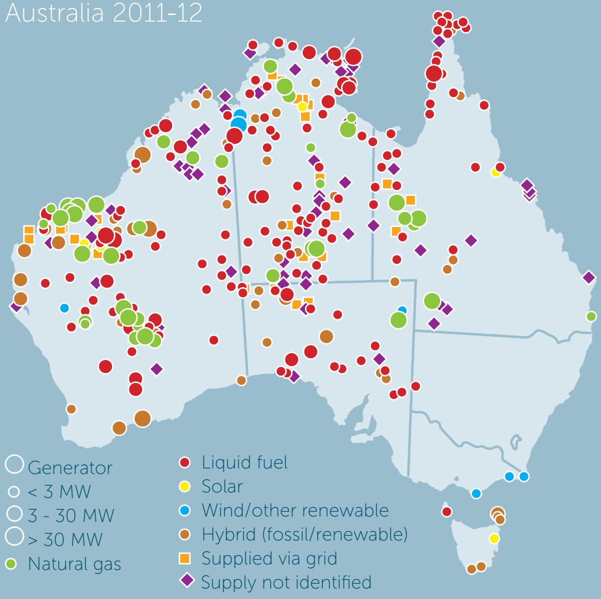
Generators of off-grid electricity are located from the north east of Queensland to the Pilbara in Western Australia and from Darwin in the Northern Territory to King Island in Tasmania.

While the resources sector used 77 per cent of this total off-grid electricity consumption in 2011-12, residential, community and commercial electricity demand still accounted for 21 per cent of the total.

Any move to reduce fuel tax credits would introduce a tax distortion by imposing a tax on industries that are reliant on diesel fuel to generate power and operate heavy machinery.

It would also create financial hardship for some of Australia's most remote communities.

Off-grid and small grid electricity generation, Australia 2011-12



Bureau of Resources and Energy Economics, 2013. Source: ACIL Allen 2013

Rick and Ann Britton
Boulia, Queensland

Rick Britton is a fifth generation grazier. With his wife, Ann, he operates the family's beef enterprise, Goodwood Pastoral Company, running 6000 cattle over 200 000 ha of natural grazing land.

Boulia is situated on the Burke River, named for explorer Robert O'Hara Burke, who passed through the area with the Burke and Wills expedition in 1860.

Boulia is remote. Located 190 km east of the Northern Territory border, the shire's western boundary marks the eastern edge of the Simpson Desert.

The energy grid does not service this remote part of Australia. Boulia's residents depend on diesel for all of their power generation. For Rick, this means using around 30 000 litres of diesel each year to run his business.

Diesel is used to power water pumps, in graders to maintain roads and undertake erosion control, in vehicles that travel across properties (which can take days), to muster cattle and generate electricity to the sheds.

But diesel is also crucial to Rick's household.

'Running a diesel generator to power our house is about 10 times more expensive than it would be on town power,' Rick says.

The diesel generator runs for six hours a day. This is the window of opportunity for doing anything that requires power, like educating children through School of the Air, housework or using the computer. It's also the amount of time the air-conditioner can run, and temperatures regularly top 40˚C.

'We really have no alternative out here,' Rick says. 'We're always looking for efficiencies and use windmills and solar power, but neither have the capacity to pump the volume of water our cattle need.'

But he's not concerned only with his own property. Rick is also Mayor of Boulia Shire Council.

Boulia Shire covers an area of 61 176 km^2 with a population around 600. About 80 per cent of ratepayers are involved in agriculture.

Council provides amenities for ratepayers and tourists, including a sports and aquatic centre, library, post office, museum and shire hall. All are powered by diesel.

The school, health centre, shops, churches, turf club, airport and hotel are all powered by diesel.

Road works and maintenance alone sees council eligible for a $94 000 fuel tax credit, which is at the lower end of comparable shires. If the fuel tax credit was abolished it would impact the ability to upgrade and maintain local roads.

'With a small ratepayer base, any increase in the cost of fuel or power generation would either see significant increases in rates or a decrease in services provided,' Rick says.

'Either way, it's a bad outcome.'

Losing fuel tax credits would cripple our town. We depend on diesel for everything.

Rick Britton
Grazier, Queensland

Newmont Asia Pacific

Tanami Desert, Northern Territory

Newmont's Tanami gold operation is one of Australia's most remote mine sites.

Located in the Tanami Desert in the Northern Territory, its nearest neighbour is the remote Aboriginal community of Yuendumu, some 270 km away. The mine is situated on Aboriginal Freehold Land owned by the Warlpiri people and managed on their behalf by the Central Desert Aboriginal Lands Trust.

Due to its remoteness, the workforce of approximately 750 personnel is all fly-in, fly-out.

In 2014, Newmont Tanami produced more than 345 000 ounces of gold and is planning to increase production in 2015. The mine operation is underground, currently at a vertical depth of 1500 metres.

'Power costs equate to approximately a quarter of the fixed running costs of the operation,' Jarrod Riley, Manager Sustainability and External Relations - Tanami Operations says. 'We currently have on site power capacity of 27 MW which is all diesel driven.'

In 2014 Newmont Tanami produced in excess of 167 000 Megawatt hours, which consumed over 41 million litres of diesel.

This powered the underground mining operations, refrigeration plant for cool air underground, ventilation system, the paste backfill plant, maintenance workshops, administration areas, processing plant and the accommodation village.

Almost 13 million litres of diesel was used operating equipment, including 22 underground dump trucks, six underground boggers (loaders), four underground drills, seven integrated tool carriers, three agitator trucks, 10 wheeled loaders, two water carts, five 50 seater buses, five graders, four excavators, five roadtrains, and more than 50 light vehicles.

'Ninety nine percent of this equipment never leaves site or goes on a public road,' Jarrod says.

Newmont provides fuel to Traditional Owners travelling through the Tanami as the distances between fuel stops range from 600 km to 750 km. They also provide emergency fuel to tourists who get stranded on the Tanami Track.

'Removal of the fuel tax credits, particularly to a remote operation so reliant on diesel, will greatly impact profitability. This impact will then flow on to both the Northern Territory Government and the Traditional Owners through lower royalty payments,' Jarrod says.

We are one of the most remote mine sites in Australia. All on-site power is diesel driven.

Jarrod Riley
Manager Sustainability and External Relations
Newmont Tanami Operations, Northern Territory

Drew Martin
Paringa, South Australia

Drew Martin farms 135 ha of almonds and 800 ha of share-farmed wheat north of Renmark, in South Australia.

In 2014, the diesel bill was $70 000.

'Our irrigation pumps run on electricity, but this supply is becoming increasingly unreliable and costly so we have just installed a diesel generator 550 KVA as a back-up electricity supply,' Drew says.

This is despite solar power in the office and only the most efficient pumps and engines on farm. The diesel bill may more than double in the future.

'We employ four full time staff and contribute greatly to the local and national economy.

We shouldn't be having to carry the fuel excise for diesel we use off-road,' Drew says.

Passions of Paradise
Cairns, Queensland

Passions of Paradise is one of the last owner-operated reef tour companies in Cairns.

The family-owned company built its first catamaran in 1987.

Starting out with four staff, the company now has 27 employees and takes 25 000 tourists to the Great Barrier Reef each year.

The 25 metre high-performance catamaran sails daily from Cairns to two locations on the reef, where tourists can dive and snorkel with turtles, fish, and see an amazing variety of corals.

The company uses approximately 83 000 litres of diesel per year and operates 2 x Cummins QSB 5.7 diesels and a Cummins 4BT genset.

The families of the founders, Alan Wallish and Roger Cumming, still operate the boat.

'The fuel tax credit is critical to our bottom line and the impact of losing it would be significant for a small company like ours.'

A diverse range of diesel users claim fuel tax credits

From small, family businesses to some of Australia's largest employers, a diverse range of businesses in a wide variety of industry sectors claim fuel tax credits.

There were 690 710 separate claims for fuel tax credits in 2012-13.

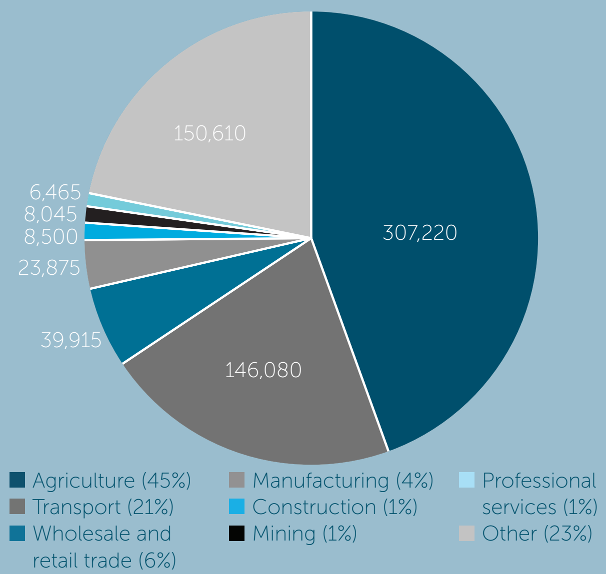
Some of the more high-profile activities eligible for fuel tax credits include farming, mining and rail transport.

But there are many activities that attracted fuel tax credits that are perhaps less well understood, including:

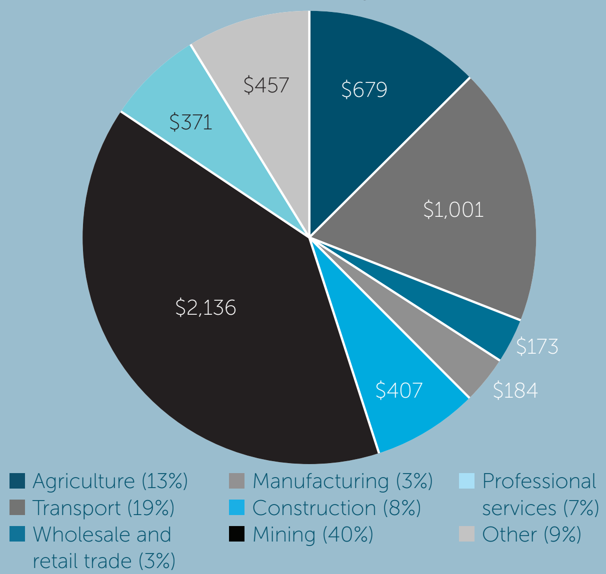
- residential home building
- manufacture of pharmaceuticals
- seafood processing
- electricity generation
- airport operations
- scenic and sightseeing transport
- book publishing
- scientific research
- architecture and engineering services
- defence
- museum operations
- child care services
- car repairs and maintenance.

Fuel tax credit claims by industry

Number of claims



Value of claims ($million)



Searoad Ferries
Queenscliff, Victoria

For almost 30 years, Searoad Ferries has been transporting passengers and cars across Melbourne's Port Phillip Bay.

A family-owned business, Searoad Ferries started with just one ferry in 1987 and now carries 750 000 passengers each year on its three Australian-made vessels.

'This generates over $100 million for the regional economy annually and supports over 500 jobs, 100 of which are with Searoad Ferries,' Chief Executive Officer, Matt McDonald, says.

Ferries depart Queenscliff and Sorrento every hour, on the hour from 7 am to 6 pm daily, with additional twilight services during the summer. The journey has become a highlight of the Victorian coastal travel experience.

Searoad Ferries are diesel powered and use approximately 1.5 million litres per annum. Fuel is the second biggest cost after labour and therefore a major business input.

You can't get more off-road than ferry transport. In fact, Searoad ensures around 200 000 cars are taken off the road every year.

The road distance from Sorrento to Queenscliff, via Melbourne, is approximately 220 km and can take up to 3 hours. The 5.6 nautical mile crossing takes approximately 40 minutes; saving time, kilometres and carbon emissions.

'Less than 13.5 kg of CO_2 is emitted per vehicle on a ferry crossing between Queenscliff and Sorrento, compared to 57.2 kg per car by road for the same trip,' Matt says.

Searoad is continually improving its fuel efficiency.

'We invest in efficiency measures within our fleet, including new hull efficiency technology and upgrades to modernise engines,' Matt says.

'Any decrease in fuel tax credits would see costs passed on to the consumer,' he says. 'This will lead to a reduction in visitation rates to regional and coastal Victoria, leading to less economic activity and jobs.'

Mackays Bananas

Tully, Queensland

Stanley Mackay planted his first banana crop in North Queensland in 1945, beginning a family tradition that his five grandchildren continue today.

Mackays Bananas produces over 10 per cent of Australia's bananas on 1200 ha around Tully in Queensland.

With 500 staff, Mackays runs its own banana farms, logistics, warehousing and marketing. Mackays also grow sugarcane, Reblo™ papaya, and run cattle.

Bananas are harvested all year, meaning the diesel powered harvesting equipment is rarely in the shed, but rather on the 250 kms of internal, private roads maintained by Mackays.

They can use up to 1 million litres of diesel each year.

'Farming is such a low margin game,' Cameron Mackay says. 'Any tax increases would place severe pressure on our costs of doing business.'

Michael Slattery

Port Pirie, South Australia

Mick Slattery has been involved in the Marine Scale fishery for over 40 years.

He uses diesel powered, 7 metre open vessels utilising the power haul method, with 600 metres of net to fish the Spencer Gulf.

The catch includes the valuable King George whiting, squid and garfish to lesser-valued mullet, salmon and herring. Most trips are of 7-10 hours duration and are tailored to get the catch to market in the quickest time possible.

Mick's average diesel use is 50 litres per trip and fuel represents one-third of his costs.

'Diesel engines are 2-3 times more expensive than petrol engines, but in terms of fuel efficiency, reliability and safety the higher cost is justified,' Mick says.

'My initial choice of changing to diesel was that the off-road use credits would defray the higher cost of diesel engines.'

Maritime Industry Australia

Port Melbourne, Victoria

Diesel underpins Australia's maritime industries.

Australia relies on sea transport for 99 per cent of its exports and one-quarter of domestic freight is moved by ship along our enormous coast line to service geographically diverse populations and industries. More than 5000 cargo ships made a total of 38 073 calls at Australian ports in 2012-13 and 1.26 billion tonnes of cargo moved across Australian wharves.

Tasmania is particularly reliant on shipping to transport imports and exports to and from domestic and international markets. In 2013, Tasmania was one of the Port of Melbourne's biggest customers at 28 per cent of total freight volume.

'Any increase in fuel cost will directly affect the cost of shipping goods across Bass Strait and increases the cost burden on Tasmanian businesses and the community,' Chief Executive Officer of Maritime Industry Australia Ltd, Teresa Lloyd, says.

Across Australia more than 64 ports require a range of on-water services, tugboats and dredges particularly to keep our channels clear and ports accessible. Without tugs, Australia literally stops. More than 100 tugboats service every major and most smaller ports. They provide vital safety assurance and are relied upon for emergencies at sea.

Increasing the cost of running these essential services increases the cost of doing business in Australia.

'The cost to the towage sector is estimated to be more than $11 million per annum if fuel tax credits are abolished.

This cost would have to be passed on; ultimately to the consumers who buy the goods that arrive by ship and our trading partners purchasing our bulk commodities,' Teresa says.

The vessels that service and support the offshore oil and gas sector are critical during all phases of exploration, construction and operation. This sector is one of the largest and most productive in the world and is expected to expand. The role of maritime assets will only increase.

'Increasing the cost of vessels servicing the oil and gas sector will affect overall project costs, which are constantly evaluated for viability,' Teresa says.

The breadth of the maritime industry doesn't stop there. Also affected by fuel cost rises are Australia's:

- cruise industry – an industry growing faster here than anywhere else in the world
- Antarctic vessels
- on-water defence and border protection activities.

'Australian maritime businesses operate with Australian overheads and from an Australian cost base,' Teresa says. 'But they compete in a global market. Any increases in costs undermines the idea that Australia is "open for business".'

Removing fuel tax credits would undermine industry competitiveness

A country's economic competitiveness is measured by its ability to sell goods and services to the rest of the world and compete against goods and services produced overseas.

Australia's key economic strengths lie in commodity exports, such as agriculture and mining, and services exports, like tourism.

In 2012-13, a total of 1.26 billion tonnes of cargo moved across Australian wharves. International exports represented 84.5 per cent of this cargo.

Reducing or abolishing fuel tax credits would increase industry costs because it adds a tax, fuel excise, on production of these exports. It's equivalent to a tax hike in industries where diesel is a significant operating cost.

Increased costs could not be passed on in the global market in which commodity exporters operate. Instead it would make Australian industries less competitive, weaken investment, outputs and employment.

It's not just Australia's commodity exporters that compete in a global market. Tourism is Australia's largest services export industry, just ahead of education. Tourism operators face a constant challenge to secure global market share because Australia is a high-cost destination compared with New Zealand and our neighbours in Asia. Tourism operators using diesel fuel off-road would face enormous cost pressures if fuel tax credits were reduced or abolished.

In 2014, Deloitte Australia nominated the following five areas of comparative advantage for Australia:

- Agribusiness
- Mining
- Gas
- Tourism
- Oil

Fuel is a vital business input for a range of Australian businesses within these sectors. It's important to remember that a number of Australia's international competitors levy no tax on diesel used in mining or agriculture.

Limiting or reducing fuel tax credits would not only be devastating for many businesses, it would add significant cost pressures to Australia's most productive sectors.

Removing fuel tax credits would amount to a tax on Australia's key export sectors.

If fuel tax credits were abolished, our ability to survive in a high cost domestic environment would be severely compromised.

David Carter
Chief Executive Officer
Austral Fisheries, Western Australia

Austral Fisheries

Perth, Western Australia

Austral Fisheries catches and sources sustainable, quality seafood.

Based in Western Australia, but operating in the Gulf of Carpentaria and the Southern Ocean, Austral has invested millions of dollars in quotas and fishing rights around the country.

The fleet of 10 prawn trawlers in the Gulf of Carpentaria and four vessels in the Southern Ocean uses a total of 8 million litres of diesel per annum, making fuel Austral's second largest business input.

'Consider that a prawn trawler can stay at sea for 7½ months and use about 2000 litres of diesel a day and you start to understand the importance of diesel to our operation,' Chief Executive Officer of Austral Fisheries, David Carter, says.

The Austral fleet is fuelled prior to departure and is serviced at sea by diesel-powered mother ships that provide supplies, including additional diesel.

But diesel isn't just used to power the trawler engines.

'These vessels are little cities,' David says. 'Diesel powers everything on board — not only the hydraulics, net winches, towing apparatus, and refrigeration; but also the lights, electronics and basic amenities that make life comfortable for our crew.'

Diesel plays an important role in enabling Austral to deliver high quality prawns to market.

'On a good day, our trawlers catch 6000 kg of banana prawns,' David says. 'Our crews use diesel-powered generators to drive refrigeration systems that blast freeze those prawns, harvested from water with a temperature of around 28˚C down to a temperature of minus 18˚C as quickly as possible. This process uses a lot of energy. That energy comes from diesel, but it ensures consumers are getting the freshest prawns possible.'

Austral supplies both domestic and export markets with banana prawns, tiger prawns and Patagonian toothfish, and has achieved independent certification of all four of their Australian fisheries by the Marine Stewardship Council.

'We compete in an international market,' David says. 'It's said that seafood is the world's most traded commodity, and despite our vast ocean domain and highly controlled fisheries, Australia imports 70 per cent of the seafood consumed.'

Austral has also partnered with the Australian Government to monitor illegal fishing activity in the sub-Antarctic and Southern Ocean.

'There's no doubt that our presence in the Southern Ocean is protecting the stocks of Patagonian toothfish,' David says.

'If the fuel tax credits scheme was abolished, our ability to survive in a high cost domestic environment would be seriously compromised. We could not pass any cost increases on to consumers, here or overseas.'

Quicksilver Group
Port Douglas, Queensland

When former US President, Bill Clinton, and Oscar winner, Matthew McConaughey, wanted to tour the Great Barrier Reef, they chose Quicksilver.

Operating out of Port Douglas and Cairns, Quicksilver Group includes the world's best known Great Barrier Reef cruise experiences.

Founded in 1979 with one catamaran, Quicksilver Group now operates a fleet of 13 of the most advanced Australian-made cruising vessels and employs 550 people.

'We use diesel in all of our vessels and at our Green Island Resort,' Managing Director of the Quicksilver Group, Tony Baker, says. 'Our diesel fuel usage is about 4.5 million litres per annum.'

Each year Quicksilver offers approximately 400 000 tourists the opportunity to dive, snorkel, observe fish feeding, or stay dry in a semi-sub or underwater observatory at the edge of the World Heritage listed area.

Quicksilver also owns and operates the Green Island Resort, 45 minutes from Cairns, which is entirely powered by diesel. The air-conditioning in hotel rooms, the refrigeration in the kitchens, the water desalination plant and the sewerage treatment plant are all run on diesel.

'We also use diesel to provide power to public amenities on Green Island for day trippers,' Tony says.

Unsurprisingly, fuel is Quicksilver's second largest business input. But it takes a proactive and responsible approach to fuel use.

'Our flagship 45 metre wave piercer, Quicksilver VIII, is powered by four MTU 2000 series diesel engines, following a complete refit in July 2008 at a cost of $3 million. The choice of these engines provides better engine performance, fuel efficiency and durability.

'Over the past number of years we have undertaken many initiatives which have allowed us to reduce our carbon emissions by about 20 per cent, reinforcing our commitment to the environment and sustainability,' Tony says.

After winning many state and national tourism and sustainability awards, in 2009 Quicksilver was inducted in to the Australian Tourism Hall of Fame, alongside other tourism icons such as the Australian War Memorial and Hayman Island.

'We would face significant issues if the fuel tax credits scheme was dismantled,' Tony says.

'Our industry already constantly fights to be price competitive with overseas destinations. Any cost increases would mean businesses in our industry would not survive, which would have flow on effects for employment and our regional economies that rely on tourism.'

Our industry already constantly fights to be price competitive with overseas destinations.

Tony Baker
Managing Director
Quicksilver Group, Queensland

Small miners
National

Thousands of small-scale miners operate across Australia, seeking precious metals, gemstones and other minerals.

Whether in the opal or sapphire mines of Anakie and Rubyvale in Queensland, the New England region of New South Wales or the goldfields of Queensland or Western Australia, diesel is used for every stage of exploration, mining and processing for drilling rigs, generators, wash plants, trommels, blowers, agitators, loaders, trucks and graders.

The black opal industry around Lightning Ridge, New South Wales, supports around 1000 active miners operating 3200 registered mineral claims. The townships of Coober Pedy, Andamooka and Mintabie in South Australia and Opalton and Yowah in Queensland are reliant on the production of opal, Australia's national gemstone.

Small-scale miners maintain mining roads with their own funds and diesel generators provide power to camps.

Cutting fuel tax credits wouldn't just impact small miners, but would affect the viability of the businesses that supply the sector.

'Without our industry, downstream processors including gem cutters, jewellers, and gem exporters, wouldn't have enough product to stay in business,' Secretary of the Queensland Small Miners Council, Kev Phillips, says.

'To abolish fuel tax credits is to abolish small-scale mining.'

Matthew Ryan
Thirlstane, Tasmania

Matt Ryan started farming in 1999 after graduating from agricultural college.

Now he and wife Tricia run their diversified business across several properties on Tasmania's north coast.

They grow potatoes, onions, poppies, pyrethrum, cereals and seeds, beans; and raise livestock, including sheep, cattle and broiler chickens. The Ryans also own a transport and contracting business providing land forming, planting and harvesting services to other farmers.

Depending on seasonal requirements, the Ryans employ 12-20 people.

The Ryans use diesel in their 10 trucks and four harvesters, pumps, utilities, and excavators. Diesel represents between one-third and one-half of their fixed costs.

'We cannot easily pass our costs on and agricultural industries have been under a lot of pressure, particularly vegetables, with returns being poor. So if we lost fuel tax credits it would be a major loss in competitiveness for our sector,' Matt says.

Further increasing cost pressures is the need to ship product from Tasmania.

'The reliance on, and cost of, freight is one of the biggest impediments to the Tasmanian economy,' Matt says. 'Removing fuel tax credits would exacerbate that issue enormously. Both on-farm and post-gate costs would increase.'

Fuel excise should not apply to the off-road use of diesel

Governments have long recognised that the use of diesel off-road, often on roads maintained by private users, should not be taxed to fund public roads.

Originally, fuel excise raised revenue for the construction and maintenance of public roads, otherwise known as a road user charge. While the explicit connection between fuel excise and road funding has weakened over time, governments since the 1950s have agreed that off-road diesel users should not be subject to fuel excise.

Under the fuel tax credits scheme governments have provided a rebate of the excise and customs duty paid on certain fuels purchased for specific off-road uses.

The *Fuel Tax Act 2006* broadened the criteria for claiming fuel tax credits by cancelling the urban-rural boundaries that previously applied and extending the rebate to lighter fleets. This ensures communities and businesses all over the country, in cities and regional areas, do not pay excise for off-road use of diesel.

The perception that fuel tax credits are limited to mining and agricultural activities is incorrect.

Off-road users of diesel are diverse - geographically, economically and socially.

- Farmers use diesel in paddocks
- Foresters use diesel in machinery that never goes on road
- Emergency services use diesel in operations on private land
- The onshore and offshore oil and gas industry use diesel in all facets of operations
- Remote communities and homesteads rely on diesel-generated power
- Miners build and maintain their own roads and power remote mining communities
- Irrigators pump water to fruit trees
- Rail freight moves goods around the country
- Fishermen use diesel at sea
- Regional tourism operators generate electricity for their visitors
- Buildings are constructed using stationary cranes

It has always been accepted that if diesel is not being used on public roads but instead is being used to grow food, extract minerals, generate power or harvest the ocean, then a road user charge should not apply.

'It had always been a given that if you didn't use fuel on roads you didn't pay the tax.'

Hon Ian Macfarlane MP
Minister for Industry and Science

HVP Plantations

Ovens Valley, Victoria

HVP Plantations is one of the largest private plantation companies in Australia supplying over 3 million tonnes of wood annually for manufacturing into structural sawn timber and veneer, fibre board products, pulp and paper.

It employs over 800 staff and contractors from Melbourne, Ballarat, Benalla, Churchill, Colac, Myrtleford and Shelley in Victoria, and Mt Gambier in South Australia.

HVP manages about 240 000 ha of land, of which 170 000 ha is pine and eucalypt plantation and 50 000 ha is native forest, which is not harvested but instead managed for conservation.

The company harvests and replants approximately 6000 ha of plantation per year. All of the harvesting, site preparation for plantation re-establishment and development and maintenance of its extensive road infrastructure is done using diesel powered graders, excavators, dozers and specifically designed forestry machinery.

'The outlay on diesel by our business combined with that of our contractors would be the second biggest variable cost we face, after wages,' Chief Operating Officer, Cameron MacDonald, says.

HVP also has fire fighting responsibilities and its fire crews are part of the Victorian Country Fire Authority (CFA), being registered as CFA Forest Industry Brigades.

Staff are required to attend fire and safety training and accreditation, refresher courses, and undergo regular medical and functional assessments leading into summer.

Every year HVP fire crews play an important role in protecting forest assets. They are also called to fight fires on private land and in national and state parks. Over 50 per cent of the fires attended in the 2013-14 fire season were not on HVP land.

During the fire season, HVP provides on the ground and aerial support with:

- 235 trained fire fighters
- 40 support staff
- 18 diesel fire tankers
- 32 smaller diesel fire fighting appliances
- 28 diesel bulldozers available
- 6 diesel graders available
- 4 fire towers
- 1 aerial fire surveillance plane
- 2 first attack helicopters

Over 200 HVP Plantations staff and contractors were involved in fire fighting on Black Saturday in 2009. Their efforts were commended by the Bushfires Royal Commission.

'Industry accepted the "user pays" principle to fund the maintenance of the public road network in absorbing significant increases in truck registration fees in recent years, in addition to paying fuel excise,' Cameron says.

'However, to consider charging fuel excise for off-road use contradicts this principle and is unjust, particularly given that rural industries operate in highly competitive commodity markets and are already burdened by the significant cost to transport fuel to remote rural areas.'

Fire is a community threat. It doesn't matter whose land it is on.

Ruth Ryan
Corporate Fire Manager, HVP Plantations, Victoria

Ian Reid
Morwell, Victoria

Originally from a farming background, Ian spent 15 years working in the banking sector before entering the timber industry in 1992.

He is now a Director of Austimber Harvesting and Haulage, a contract harvesting and haulage company in plantations in Gippsland, Victoria.

Using 20 separate pieces of harvesting equipment, 12 trucks and a total of 40 employees, Austimber harvests over 450 000 tonnes of plantation timber each year and uses 1.5-2 million litres of diesel.

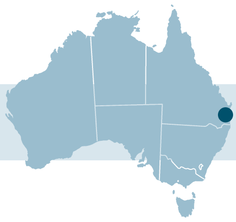
'Fuel is our second biggest business input cost,' Ian says.

'None of our harvesting machinery goes on road, unless it's on the back of a truck moving from coupe to coupe.'

Ian is also Chairman of the Australian Forest Contractors Association and is passionate about a timber industry with a viable and sustainable future.

'In the end, if fuel tax credits are abolished, someone is going to have to pay the difference.'

Paul Schembri
Brisbane, Queensland



More than 4000 sugar growing farms operate along Australia's eastern seaboard. The Australian cane industry produces 30-35 million tonnes of cane per year, which when processed, equates to around 4-4.5 million tonnes of sugar.

The sugar industry pays around $34 million in tax on fuel per annum, which is used in vehicles, pumps and locomotives that do not use public roads.

The rail system for transporting sugar cane to the mill is entirely privately owned and run, although it has significant public benefit and no direct impact on the road system.

'This tax was designed specifically for the maintenance of public roads, so it's clear that the fuel tax credit is a genuine rebate on the tax paid,' President of CANEGROWERS, Paul Schembri, says.

'For the sugar industry to maintain its world competitive position, it's essential that unfair and unnecessary taxes are not levied on the industry.'

Fuel tax credits are not a subsidy

The purpose of the fuel tax credits scheme is to remove the effect of fuel tax on business inputs to ensure that production decisions are not distorted. Like the GST system, fuel tax credits simply ensure the end consumer pays the tax and in the case of excise, only for transport use of fuel on-road.

The way in which fuel tax credits are administered by the Australian Taxation Office may cause some to think of them as a subsidy because some money flows from the government back to business.

However, the process whereby credits are claimed by businesses through the BAS, was only introduced to improve administration.

The government switched to a rebate system because it's more efficient to charge all users the same price upfront for fuel and have eligible users claim back the excess excise, than to have the complexity and integrity issues involved in a certificate system in which eligible users weren't charged excise at the pump.

'Fuel tax credits are not a subsidy for fuel use, but a mechanism to reduce or remove the incidence of excise or duty levied on the fuel used by business of road or in heavy on road vehicles.'

Treasury, Submission to G20 Energy Experts Group, 2011

Michael and Felicia Chalmers

Noorong NSW

While working as a graphic designer in a Bendigo advertising agency, Michael Chalmers made the decision to return to the family farm.

'I loved my job and working with large government and industry clients, but my wife Felicia and I agreed that we wanted to raise our kids in the country.'

They joined the family business in 2006 and farm in partnership with Michael's parents and his brother and sister-in-law.

The Chalmers farm seven dryland and irrigation properties across 8500 ha around Swan Hill in Victoria and into New South Wales. Their crops include wheat, lentils, rice, barley, oats, faba beans and field peas. They also raise Dorper sheep which, according to Michael, produce a great rack of lamb.

'We use diesel on-farm in a number of ways,' Michael says. 'We use diesel tractors with our laser graders to prepare paddocks for cropping and use diesel in planting, spraying and harvesting machinery. We use trucks to move grain out of the paddocks, diesel utes to check on the welfare of our sheep, and diesel pumps to move water around our irrigation layouts to six recycle points.

'Fuel is a major business input,' Michael says. 'In 2014 we used almost 320 000 litres of diesel on farm, so in dollar terms, that's a significant cost.'

Michael is always looking for ways to save fuel.

'Fuel cost is a major consideration for us and we are always looking for ways to cut consumption.'

Apart from investing in new machinery with better fuel efficiency, the Chalmers have also incorporated on-farm practices designed to reduce fuel use.

'Through careful land forming of paddocks, extensive use of GPS equipment and zero tillage on dryland crop areas we can reduce the amount of time we spend in a paddock,' Michael says. 'And the less time we spend in a paddock, the less fuel we use.'

Since coming back to the farm, Michael and Felicia have married and now have a young son.

'I am reasonably optimistic about the future of agriculture and I'm glad I came back to farming,' Michael says.

'But losing the fuel tax credits scheme would put extra pressure on families already facing rising business costs and stagnant farm gate prices.'

Losing the fuel tax credits scheme would put extra pressure on families already facing rising business costs and stagnant farm gate prices.

Michael Chalmers
Farmer, New South Wales

Rio Tinto
Weipa, Queensland

Weipa is a remote mining community 580 km by air from Cairns.

Built by Rio Tinto Alcan (previously Comalco) in the 1960s to house its mining workforce, today Weipa has a population of over 2000 and is the regional hub of the Western Cape, hosting many businesses and government services.

Apart from mining, the Western Cape's other significant industries include tourism, fishing and cattle.

The Rio Tinto Alcan Weipa operations consist of two continuous mining operations at East Weipa and Andoom, two beneficiation plants, 19 km of railway to transport mined bauxite to the Weipa port, two stockpiles and two ship loaders.

The mine has over 1000 employees, about 22 per cent of whom are Indigenous and 24 per cent are female.

In 2014, the mine produced 26.4 million tonnes of metal-grade bauxite.

Rio Tinto Alcan Weipa is a major contributor to the regional economy and a significant investor in local infrastructure to support the Weipa township.

Rio Tinto Alcan Weipa owns and operates two diesel engine power stations (26 MW and 10 MW). These supply power to the mine, Weipa town and community assets such as the airport and golf course and the neighbouring Indigenous community of Napranum.

It also powers the following community facilities:

- Weipa Hospital and Napranum health clinic
- Napranum aged care facility
- Fire and emergency services
- Cape Kids childcare centre
- Community-managed pre-school and kindergarten
- Napranum pre-school
- Weipa Cape College (Weipa School)
- Community swimming pool facilities
- Water and sewerage plant
- Library
- Dentist
- Chemist
- Bakery
- Hairdresser
- Woolworths supermarket

Construction of a demonstration solar farm in Weipa began in 2014, with the first phase of the project offsetting up to 20 per cent of daytime electricity demand.

'Rio Tinto Alcan is pleased to support the addition of renewable energy, which will offset 2.5 per cent of our diesel usage at the Lorim Point Power Station,' Rio Tinto Alcan Weipa, General Manager, Operations, Gareth Manderson, says. 'We expect the use of solar power will reduce the site's annual diesel consumption and its carbon dioxide emissions by around 1600 tonnes.'

David and Lyn Slade
Kendenup, Western Australia

The Slades' 5700 hectare property Glenridge Park in the Great Southern region of Western Australia is very much a family business.

David and Lyn Slade, with their daughter Vanessa her husband Scott and their son Andrew and wife Nicole, run the prime lamb, beef and cropping enterprise. They also employ three staff.

Over the years the Slades have fine-tuned their operation to maximise production and productivity. This includes running two sheep studs and one beef stud to ensure the best genetics.

'We use about 100 000 litres of diesel on farm each year,' Lyn says. 'We use diesel in all of our machinery and utes. We have a diesel generator for providing power to sheep yards where there is no electricity and for pumping water from dams to our feedlot.'

The Slades have built 25 km of on-farm laneways which allow for fast and efficient movement throughout the farm.

'The laneways are an essential investment – we use them to drive around the farm, to put out feed and move sheep and cattle, without driving across the paddock and wrecking pasture,' David says.

'We maintain the laneways to be as good as a gravel road, so we can drive at 100 km an hour to get things done quickly and safely.'

But building and maintaining your own roads is not cheap. The Slades estimate they cost $200 000, including carting gravel, construction, grading and culverts. Ongoing annual maintenance, which includes grading the laneways three or four times a year, costs an additional $12 000.

Fuel tax credits recognise that a business that builds, uses and maintains its own roads should not be liable to pay the excise.

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