



SUBMISSION

**TO THE FUEL TAX INQUIRY
DEPARTMENT OF THE TREASURY
CANBERRA.**

SEPTEMBER 2001

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PREAMBLE:

We have written to various Federal and State Ministers in the past year concerning the inequity that the boating community have found themselves in concerning the marine fuel taxation rules. It was many months before the picture became clear concerning as to which of the Governments had the potential to reinstate the off road fuel rebates for those who had been unfairly disadvantaged by the implementation of the G.S.T.

Consistent with the public's previous experience of past administrations, the Governments now recognise and acknowledge that some errors were made when formulating the G.S.T., but have since declined to right the wrongs. The tolerance of this unfairly treated community is laudable, when Governments demand perfect standards of the community, but often perform with a complete lack of good faith themselves.

Taking the latter point, it is extremely frustrating for the general public who we represent with a voluntary association, to find that we only heard of this inquiry by word of mouth through the good offices of another organisation, who knew that we had a keen interest in fuel taxation.

WE NEED TO HIGHLIGHT:

1. Our efforts to find out about the inquiry were thwarted by Treasury not having an entry as such under the Federal Government section in the white pages directory.
2. That having corresponded with the Federal Treasurer and M.P.'s , no one, including Treasury thought to invite a submission from us as a consumer group representative.
3. That having heard about the Inquiry it was over two weeks before we could access the "Issues Paper" because Treasury's web site was down or faulty and despite the efforts of some of our committee members and Federal M.P.'s office, we still could not gain access to the basic information.
4. That despite the subsequent direct inquiry of a Federal M.P.'s office, the information was still not forthcoming.
5. We finally obtained the "Issues Paper" when an assistant from an M.P.'s office made a special hand delivery, because of the delays which were prejudicing us and were outside of our control.
6. We are unaware that any extension of time for submissions has been granted, despite the failure of the web site upon which Government now depends so heavily, and despite the degree to which this has disadvantaged voluntary organisations such as *BWA*.

We believe that these reasons alone indicate that the Inquiry will be incomplete and thus open to allegations that it is flawed. We were very disappointed to note that Treasury allowed these failures to continue for such a long period at such a critical time in the submission process.

The opportunity is now with the Federal Government, having already acknowledged the inequity of the present taxation on marine fuels, to correct the position.

TERMS OF REFERENCE:

We are pleased to note in item 2.1. of the "Issues Paper" that the Inquiry is:

1. "To examine the total existing structure of Commonwealth and State fuel taxation and related rebates, including the proposed Energy Grants (Credits) Scheme."
2. " To report on the implications for. ...the economy and the options available to Government to reduce or eliminate any adverse effects of any existing arrangements."
3. To have regard to impacts on various sectors of the Australian community.

TAXATION ON FUEL FOR MARINE USE:

We are confining our comments in this submission to marine use of fuel, whether they be diesel, petrol or potentially L.P.G. gas.

A. COMMERCIAL:

Whilst *BWA* does not represent the commercial sector, we believe that taxing primary producers in the production process e.g. fishermen, can only have a far greater negative value, by adding cost to exports and home consumed basic foods, compared to any positive value of taxation at this point.

In addition commercial marine fuel should continue to have a rebate system so as to 'disconnect' marine fuel from other transport and road infrastructure funding. Substantial, fees are already paid to Governments for marine infrastructure and a conscious effort needs to be maintained to differentiate between the needs and taxes of marine and other transport.

B. RECREATIONAL:

We consider that the terminology of 'recreational' can give the wrong, or an inadequate impression of the substantial value to the nation of the very large industry that is supported by the complete cross section of the community and which employs tens of thousands in large and small businesses. We make the following comments and observations from our community which need to be borne in mind if equitable findings are to result from this Inquiry.

1. We have been reminded that it is illegal for businesses to profit from the G.S.T. The public have noted an apparent lack of 'good faith' on the part of the Western Australian State Government and a failure by the Federal Treasury to ensure that 'windfall gains' were not excluded from the transition process by agreement with the States. The State cancelled the 'Off Road Diesel' fuel rebate and retained that 8.3 cents per litre, The State is also receiving the G.S.T. collected by the Treasury. The State has the ability to reinstitute the fuel rebate, as it is outside the scope of the new Federal tax law, but refuses to do so.
2. This has done nothing to dispel public cynicism with Government standards and must be an embarrassment to the Government which promised no increased tax costs. There are very strong feelings about this in the boating community. It should be borne in mind that conservatively this is a community of several million people Australia wide.
3. It is apparent that the ramifications of the original legislation was not clearly understood by the legislators
4. The inequity of the present status of marine fuel taxation for recreational boating is known to both the Federal and State Governments. But they refuse to act on the matter.

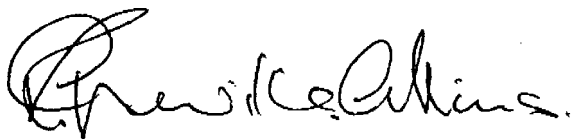
5. Due to the failures of Governments to deal properly with issues of inequity and discrimination in the community, in the headlong rush to introduce the new tax system, hundreds of thousands of boat owners in this country are paying excessive taxes. Members of the Inquiry should free their minds of the outdated perception that if a family owns a boat they must be wealthy. Those days have gone and boat ownership is within the ability of most Australians.
6. As the stress of modern life increases pressure on families, boat ownership has been an economic and beneficial form of relaxation.
7. Boat owners in each State pay registration and, sometimes, licence fees. These fees are to pay for marine infrastructure. No road tax collection proportion from the fuel tax or G.S.T. is specifically applied to marine infrastructure.
8. The States are retaining the 8.3cents per litre rebate value previously granted to registered off-road diesel users. The States are also receiving the full rebate of the G.S.T. It is illegal for any private enterprise not to credit back the value of previous benefits under the taxation rules and to retain 'windfall gains' attributable to the new tax system. However the perception is that because it is Government such double standards are acceptable and little can be done. Such practices undermine the standards expected of Government.
9. We have been told by the Minister for Financial Services and Regulation that the States have the legal ability to reintroduce State rebates for diesel and petrol activities not covered by the Commonwealth DFRS Scheme. In fact this would indicate that had the State legislators fully understood what they were doing, these rebates need never have been withdrawn from those sections of the community which were not to be affected by the Commonwealth Scheme. This adds weight to our comments in 8. above.
10. The Federal Government should ensure, through conditions imposed upon the States, that an ethical application of State - Federal agreements will ensue. We request and expect the Federal Government to take action with the W.A. State Government to ensure ethical application of the new tax system and the reinstatement of the rebate schemes.
11. The W.A. State Government has been collecting a "special road fund levy" of about 4 cents per litre in addition to the cessation of the ORD rebate. This levy is also being paid by marine fuel users, with no possible benefit coming to the marine sector of the community.
12. It seems that the popular trend of Governments today is to adopt a "user pays" or "budget neutrality" basis for taxation. So how can any of these same Governments possibly justify the increasing of road taxes payable through marine fuel without any commitment to the boating community. The principles of the original fuel rebates still apply and should be acted upon.
13. It does not matter what the public service attitude to the boating community of Australia is. This enormous community should be treated with more respect and in a less offhand manner than has been the case to date in these matters. The fact that this group has traditionally been poorly organised is now changing, because of the offensive and discriminatory way in which Government is selecting against this group.
14. We are aware that the 'Australian Democrats' participated in the variation of the Federal government's original "New Tax System" proposals and again we have to blame that party's naivete and misapplied discrimination for the injustice now being protected by State and Federal Governments.
15. The fact remains that some off road fuel users still receive a rebate and the recreational boating community Australia wide do not
16. The Inquiry needs to fully acquaint itself with the numbers of people employed in the marine manufacturing, servicing and sales industries in Australia.

17. The Inquiry needs to be aware of the numbers of people who contribute to the economy through boating.
18. The Inquiry should ascertain the retail expenditure on marine petrol and diesel
19. The inquiry should ascertain the current extra tax collected due to the cessation of fuel rebates to the recreational boating sector.
20. Consideration should be given to the less productive existing method of tax collection which is unavailable for constructive expenditure.
21. Constructive expenditure would allow the extra spending power to employ people in the marine industries and value add for the benefit of all. Taxation at the expense of employment should never be an option.
22. The Inquiry should understand the numbers of citizens in this country who are being consciously and deliberately discriminated against. This sector is larger than those involved with horse racing or ball sports, and extensive subsidies exist for these other interests.

BWA RECOMMENDATIONS:

- An immediate cessation of tax discrimination against the boating community.
- That fuel rebates are restored to the boating community by 1 st July 2002.
- Alternatively it would be much cheaper for Governments if waterside fuel bowsers, dedicated to fuelling vessels were to include a rebate in the fuel price. This would pass on the rebates accurately, but would only require a fraction of the administration and management costs, if only the fuel wholesalers - suppliers were involved in the record keeping. Petrol, L.P.G. and diesel fuels must be included as marine fuels.
- The Federal Government must demand from the States that they will comply properly with the spirit and intentions of the Tax System reforms, or face a withholding of funds, as has occurred on other occasions.
- The Federal Government must publicly state its opposition to the principle of State or Federal Governments collecting road funding, road infrastructure or road maintenance taxes from the sale of marine fuel.
- A greater measure of consciousness and good faith needs to be displayed by Federal government employees when dealing with matters of public interest and when public participation is being sought. We have felt disadvantaged and offended by the manner in which the submission process has been handled.

We thank the Members of this Inquiry for its consideration of our views and hope that they will be accepted as sincere and constructive, to facilitate a more balanced and overly fair tax system.



RODNEY GREVILLE-COLLINS, PRESIDENT
*On behalf of the Executive Committee of
 Boating Western Australia Inc*