

History repeats

– no industry consultation on another tax

One could be forgiven for thinking that politicians just don't learn from their mistakes, given the recent debate at the federal level.

We all remember the debacle that followed Kevin Rudd when he announced his intention to introduce a mining tax. The biggest criticism levelled at the then-Prime Minister was that he failed to consult before launching the scheme. By failing to consult, he made it easier for opponents to attack the idea. It could also be argued that his failure with this policy was one of the contributing factors in his downfall.

It is therefore surprising that the new Prime Minister has mimicked the same behaviour in her announcement of a carbon tax, to be introduced in July 2012. Few would argue that we as a country need to address the issue of climate change, but to announce that Australia will tax carbon without first conducting broad-based consultation with the business and general community simply does not stack up. The overall lack of detail about how the tax will be applied has also made it an easy target for opponents and has created unnecessary concern for business.

What we do know is that the tax, when implemented, will change the way all of us live and work. The objective of the tax is to reduce emissions by making it more expensive to use energy. Significantly, placing a cost on carbon will increase the cost of living and the cost of doing business. When looking at Western Australia, we have an economy which is largely underpinned by the resource sector, which is a high emitter of carbon, and we have a huge land mass that is also reliant on a cost-effective transport system. The introduction of a carbon tax will therefore have a significant impact on our state economy and will place us internationally in an uncompetitive position – a position we can ill afford.

The Gillard Government's top climate change adviser, Professor Ross Garnaut, has stated that he believes the carbon tax should be set at about \$25 a tonne and that it should rise by 4 per cent a year.

At \$25 a tonne, electricity prices are expected to increase by 18 per cent, or about \$300 a year, for the average household. It would add about 6 cents a litre to petrol prices at the bowser.

Gas bills would rise by an average \$150 a year, and the average grocery bill would increase by around 5 per cent due to the impact on transport costs. Tax cuts for low income earners will not address the impact of this tax.

It is imperative for businesses across Australia that the Federal Government fill in some of the detail. Businesses are concerned because we don't know the rate of tax, how it will be implemented and what, if any, transitional provisions will be put in place. The other key issue that must be faced by the Gillard Government is the lack of preparedness of small business to deal with such a tax. We must, as a priority, have consultation and assistance for business if this tax is to become a reality.

The ongoing crisis in the Middle East and Africa has put upward pressure on petrol prices and as we go to press, the ULP price will be very close to \$1.50 per litre. The rising fuel price does however give cause to question, in light of the high prices and the push for greener solutions, both Federal and State Governments as to why they appear to be working against the LPG industry and consumers by removing or reducing subsidies for LPG conversions, effectively killing off a viable industry.

LPG auto gas is the most accepted alternative fuel in the automotive sector with more than 13 million vehicles operating worldwide. Notably, Australia's LPG fleet of 600,000 vehicles is the fifth largest in the world and Australia ranks third highest per capita globally. It should also be remembered that LPG has lower greenhouse gas emissions (GHGs) than petrol, diesel and electricity on an energy equivalent basis. It is therefore disappointing and somewhat contradictory that the State Government has abolished its subsidy for conversions and the Federal Government is gradually reducing the level of subsidy while, at the same time, introducing an excise on LPG.

The knockout blow has been dealt by the Federal Government, which has also announced a cap on both factory and non-factory LPG conversions at 25,000 vehicles a year as part of its redirection of funding to pay for the reconstruction of Queensland following the floods earlier this year.

By way of history, the State Government subsidy level in 2008 was \$1,000 and that was complemented by the Federal Government's \$2,000 subsidy. The State's subsidy has now been removed and the Federal Government's subsidy is at \$1,500, reducing by \$250 per annum. The average cost of a conversion for a typical 2004 vehicle is about \$4,000. With the rebate now being \$1,500, many individuals are finding that the gap of \$2,500 from their own pocket is just too much in the current climate and therefore are not taking up the opportunity.

With MTA CEO Stephen Moir
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The impact of these policy shifts has been dramatic. Nationally, it is estimated that the number of LPG conversions in 2010 was 29 per cent below 2008 activity. In WA it was significantly worse, at about 88 per cent. In WA the number of LPG installations has reduced from 13,071 in 2008 to just 1,562 in 2010. A sustained ULP-auto gas price differential of between 60-70cpl appears to have had no impact on retrofit demand throughout 2010.

The industry has been decimated and we have seen a thriving industry, boasting more than 150 small businesses, be reduced to less than 5 businesses doing conversions only and another 20 who convert if a job comes along.

The MTA is calling on the State Government to reinstate the LPG conversion subsidy and nationally we will be working to have both the excise and the cap on conversions removed. Governments must think through the ramifications of their decisions before they move to introduce them. To not do so kills off businesses and job opportunities.

Attract, develop our future workforce

Looking to the future, one of the most critical areas for the industry will be training and how we attract and develop the workforce of the future. It is therefore pleasing that the automotive sector finally has its own national training advisory body in Auto Skills Australia. The automotive industry has been at a distinct disadvantage in recent years as it did not have a strong voice in the development and delivery of industry training packages. Auto Skills Australia will allow the automotive industry to have control of its own destiny. The Board of Auto Skills Australia has been appointed and I am pleased to be a member of this group. We have appointed our inaugural CEO and the organisation will be fully operational by July 1. The industry now can communicate its needs regarding skills development directly to key stakeholders, including the Federal Government. This opportunity to shape the skills and training agenda will ensure that the industry will grow at a pace to meet the demands of the future.

The training needs of the Western Australian automotive industry will be significantly enhanced with the opening of the Motor Industry Training Association's new Joondalup headquarters. This state-of-the-art, purpose-built facility is arguably the best automotive training facility in the country and MITA's CEO Alex Brown and his team are to be congratulated on the development. I would encourage members to visit MITA's new premises when you have the opportunity to see how the investment by industry has paid off. This edition of Motor includes coverage of this exciting new facility (see page 10).

WA Skilled Migration Strategy

In closing this edition of Torque Time, I want to congratulate WA Training and Workforce Development Minister Peter Collier on launching the Western Australian Skilled Migration Strategy. There are more than \$225 billion worth of resource and infrastructure projects under construction or committed. As a result of this activity and the fact that 186,000 workers will leave the workforce over the next five years, Western Australia will need an additional 488,000 workers by 2020. The strategy that was launched by the Minister provides an outline of the actions that will be taken to ensure that WA has a skilled workforce to meet the demand. Encouragingly, the strategy does not focus solely on the resource sector but covers the full breadth of the Western Australian economy.

The Minister has also met with the Federal Immigration Minister to seek several concessions for Western Australia that will help us attract a broader base of skilled worker, including having Perth classified as a regional centre. This will significantly improve the level of flexibility for attracting skilled workers and to reduce the English language test requirements to make it easier to employ people.

In July this year, the MTA will be participating along with the Chamber of Commerce and Industry WA, the Chamber of Minerals and Energy, and the Australian Hotels Association in a Ministerial delegation to the United Kingdom to promote employment opportunities here in the West. This will be an outstanding opportunity to attract skilled workers for the automotive sector and closer to the event, members will be surveyed to develop a comprehensive list of employment needs in WA so we can attempt to match potential skilled migrants with these opportunities.

Carbon tax double standard, page 4

Government's double standard puts LPG out in the cold

The Federal Government seems to be applying a double standard to the LPG autogas industry. While it pursues a carbon tax in the name of reducing pollution, it is destroying the prospects of an established alternative vehicle fuel that already has the infrastructure in place, is abundant in WA and reduces greenhouse gas emissions.

The LPG autogas industry in Australia has been hit from all sides recently. First, the State Government ended its \$1000 installation subsidy prematurely, virtually putting most installers out of business overnight.

At the same time, the Federal Government announced it would phase out its \$2000 installation rebate, reducing it by \$250 a year. It has since capped the number of conversions it will subsidise, and now it has announced an excise on LPG. Both actions create disincentives for motorists to convert to LPG.

This contradicts the Government's keenness to introduce a carbon tax to reduce greenhouse gas emissions because LPG produces lower greenhouse gas emissions than petrol, diesel and electricity on an energy equivalent basis.

Other benefits of LPG include that the supply infrastructure is already established, WA has abundant supplies, it can reduce our reliance on imported oil, and can help shelter consumers from rising petrol prices.

Orbital Auto Gas Systems Managing Director Tony Fitzgerald said the number of LPG vehicles on the road nationally is about 600,000 vehicles, or about 5 per cent of total fuel use in the transport sector. If that figure reaches about 10 per cent, which the subsidies were helping to achieve, then the industry would reach a critical point where it would be self-reliant and Australia would be well on the way to reducing its dependence on imported petrol and diesel.

"The decision to rescind the \$1000 rebate in WA, combined with the Federal Government cutting back its rebates, really did put a huge dent in the industry, causing the loss of jobs," he told Motor.

"The biggest issue though is that it has hurt WA motorists who can't afford rising petrol prices. The opportunity for consumers to use a low cost, greenhouse friendly, Australian sourced fuel has been lost both by what the State Government has done, and by the Federal Government wanting to introduce an excise and scale back the number of the rebates.

"We would like the Government to recognise the value of LPG to Australia and the broader population, and put the appropriate policies in place that promote the uptake of LPG. Diesel and petrol is only going to go up and LPG can deliver cost savings and greenhouse benefits.

Alternative fuels: the case for LPG

- Clean-burning fuel that produces up to 13% lower greenhouse gas emissions than a petrol or diesel car
- Cost savings estimated at \$6000 over 10 years
- Reduces our reliance on oil imports
- Australia has reserves that will last for decades
- Industry has been established for 30 years and LPG is already available at 3000 outlets across Australia
- A safe, reliable, accessible and versatile energy alternative for regional Australia

Source: A roadmap for the Australian LPG vehicle industry

It is in the best interests of all Australians and our nation to support alternative fuels that have the capacity to boost our economic prosperity and lower our carbon footprint.

"What amazes me is that our Federal Government doesn't really have a long-term energy security policy. LPG is sourced locally and is potentially going to be a key part of that but in the absence of broader policies in these areas, they are doing their best to try and kill off parts of the industry."

Kleenheat Gas General Manager Graham Smith recently wrote to State and local MPs asking them to lobby against the proposed LPG excise, telling them that LPG was a "win-win economical and environmental solution for both consumers and the Australian government".

"Removing the incentive for more cars to convert to LPG is not only a blow to the average Australian, but a direct contradiction of the government's policies to support the working family, and reduce our country's carbon footprint by cutting greenhouse gas emissions," he said.

"In addition, the government is persisting in its bid to introduce an alternative fuel levy in 2012. While the decision to delay the excise for five months was welcomed, the danger in going ahead with this tax at all is far reaching. Not only could it effectively destroy the future of LPG in this country, but the autogas conversion industry will also be heavily impacted, risking job losses and a decline in LPG servicing capacity.

"It is in the best interests of all Australians and our nation to support alternative fuels that have the capacity to boost our economic prosperity and lower our carbon footprint. We believe the Federal Government is making a critical mistake in risking the future of this country's current and future energy needs by introducing an excise."

LPG Australia CEO Michael Carmody said if the Government goes ahead with its plans to excise LPG, it will increase the cost of autogas and remove it as an affordable option for motorists to use as a greenhouse-friendly fuel.

"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 working families – families, who now, more than ever, need the cheaper transport option, and who were encouraged to switch to LPG by the Government," Michael Carmody said.

"We believe the Government will 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."

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