

**Improving the competitiveness of Ontario industries
through fuel tax rebates for off-highway road transport
Timmins Chamber of Commerce Policy**

Issue:

Ontario's Gasoline Tax Act lacks the provision to rebate tax paid on fuel consumed in the commercial off-road portion of a "mixed-road" haul (a haul that includes both off-road travel and travel on the Queen's Highway). As a result, Ontario industries that rely on transporting resources both on- and off-highway are fully taxed through the Gasoline Tax Act, and are consequently placed at a competitive disadvantage.

Background:

In addition to the current economic challenges, increased global competition and high energy costs, increasing transportation costs pose significant operational challenges to Ontario's industries that rely on hauling raw materials from source to destination and in between.

In Ontario, tax is collected on fuel used in licensed vehicles at a rate of 14.7 cents per litre on gasoline, and 14.3 cents per litre on diesel fuel. This tax is imposed to cover the costs of maintaining the road network built by the Ontario government referred to as the Queen's Highway. Equipment or vehicles not licensed under Ontario's Highway Traffic Act, operated by any business, industry or institution, are exempt from paying the tax by purchasing tax-exempt (coloured) fuel. Licensed vehicles, required for "mixed-road" hauls that travel both on and off-road, are not permitted to use this tax-exempt fuel.

When trucks haul resources, such as ore to refineries and wood to mills, within the province, a significant portion of fuel (estimated at 50% for forestry) is consumed while driving on off-highway access roads.ⁱ To realize a tax exemption for "mixed-road" hauls there are significant administrative, insurance-related and mechanical burdens, since it requires repeatedly licensing and un-licensing a vehicle. This is a highly inefficient process, making the likelihood of obtaining fuel tax exemption for the off-road portion of "mixed-road" hauls highly improbable.

The Alberta Fuel Tax Act, for example, provides tax exemptions and rebates on fuel used off-road for commercial purposes, specifically for its major sectors, oil and forestry. Known as Prescribed Rebates Off-road Percentages (PROP), the system provides for tax exemption and rebate percentages for "mixed-road" hauls.ⁱⁱ For example, fuel used in transporting logs from cut locations to mills and returning empty to the cut locations is subject to an 87% tax rebate.

Today's computerized and automated technologies, such as the Global Positioning System (GPS), makes tracking on-road and off-road portions of any haul simple, accurate, transparent and cost-effective, and would allow Ontario industries to take advantage of fuel tax rebates that would enhance business competitiveness both nationally and globally.

Recommendations:

That the Government of Ontario immediately consult with its industry sectors to:

- 1) Establish methods to rebate fuel tax for the off-road portion of 'mix-road' hauls;
- 2) Employ the use of current computerized and automated technologies to provide the exact rebate percentages applicable for each haul.

ⁱ Ministry of Natural Resources, Minister's Council on Forest Sector Competitiveness, Final Report, May 2005, page 21.

ⁱⁱ www.finance.alberta.ca/publications/tax_rebates/fuel/index.html#prop