



20th May 2011

Secretary
House of Representatives Standing Committee on Economics,
House of Representatives,
PO Box 6021,
Parliament House,
Canberra ACT 2600

To whom it may concern,

Re; Inquiry into the Taxation of Alternative Fuels Legislation

The Australian Lot Feeders' Association (ALFA), the peak body for the cattle feedlot industry, is writing to respond to the House of Representatives Standing Committee inquiry into the *Taxation of Alternative Fuels Legislation*.

This letter and attached submission from the Federal Treasury *Discussion paper into the implementation of alternative fuels taxation policy* form the basis of our response to this inquiry.

As our submission articulates, ALFA believes that given the significant and distortionary subsidy assistance and protection provided to ethanol manufacturers by the current fuel excise arrangements over a number of years, such manufacturers should be required to pay the full 25c /litre excise from December 2011, as originally intended by the Howard Government. In contrast, the alternative fuel amendment bills propose that only 12.5c/ litre will be paid by ethanol manufacturers from 2020 (after grant entitlements have been taken into account). This situation when compared to the original Howard Government proposal will lead to the Federal Government losing \$851 million in fuel excise revenue or \$703 million in lost fuel excise revenue when compared to the 2010/11 Federal budget announcement (given the doubling of the phase in period).

Importantly, from the perspective of alternative grain users such as the cattle feedlot industry, given that ethanol is produced from food crops in Australia (eg grain), the policy will perpetuate inflationary grain and food price pressures particularly during dry seasons when crop yields are low. As Australian grain prices are a function of domestic and international grain prices, this alternative fuels legislation will continue to aggravate the impacts of US biofuels policy which has been a major contributing factor that has led to record global grain and food prices this year. This is unsurprising given that 40% of the US corn crop (the world's largest grain crop) will be diverted to ethanol and not food production this year.

The bills demonstrate yet again the flawed nature of 'infant industry' assistance which leads to complacency, inefficiency and advocacy efforts for further Government support by ethanol producers (rather than increased competitiveness). The bills will also continue the misallocation of resources towards inefficient and unviable ethanol production and away from the commercialisation of superior advanced and second generation ethanol technologies.

Yours sincerely,

Jim Cudmore
ALFA President