



## Excise Tariff Amendment (Aviation Fuel) Bill 2010

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## Excise Tariff Amendment (Aviation Fuel) Bill 2010

**Date introduced:** 3 June 2010

**House:** House of Representatives

**Portfolio:** Treasury

**Commencement:** The Act commences on 1 July 2010.

**Links:** The [links](#) to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bills page, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### Purpose

The purpose of the Bill is to amend the *Excise Tariff Act 1921* (the Act) to increase the excise duty on aviation fuel.

### Background

#### Flight Path to the Future: National Aviation White Paper<sup>1</sup>

The intention of the White paper was to produce a ‘strategic, planned approach in preparing for future economic security and environmental challenges.’<sup>2</sup> The Minister further noted that ‘the National Aviation Policy is about giving industry the certainty and incentives to plan and invest for the long term, strengthening safety and security and addressing the needs of travellers, airport users and communities affected by aviation activity.’<sup>3</sup>

The National Aviation Policy White Paper was released by the Australian Government on 16 December 2009. This is the first such white paper dealing with aviation. The process commenced with the release of an issues paper in April 2008. Following the feedback obtained as a result of the issues paper, the Government issued the [Aviation green paper](#)

1. Australian Government, *Flight Path to the Future: National Aviation Policy White Paper*, December 2009, p.103.
2. A Albanese (Minister for Infrastructure, Transport, Regional Development and Local Government), *National Aviation Policy Statement released*, media release, 16 December 2009, viewed 9 June 2010, [http://www.minister.infrastructure.gov.au/aa/releases/2009/December/aa539\\_2009.htm](http://www.minister.infrastructure.gov.au/aa/releases/2009/December/aa539_2009.htm)
3. Ibid.

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which outlined a number of policy options and possible reforms for the future of the aviation industry in Australia. The release of the green paper also provided another opportunity for public input into the process. As a result of the submissions received, the Government prepared the white paper.

The Department of Infrastructure, Transport, Regional Development and Local Government's website notes

[The White Paper is] the first ever comprehensive aviation policy statement issued by an Australian government, bringing together all strands of aviation policy into a single, forward-looking document providing planning, regulatory and investment certainty for the aviation industry out to 2020 and beyond.

The White Paper sets out the Government's commitment to a continuation of Australia's excellent aviation safety record and to strengthen aviation security systems, while providing a policy framework for the development of the aviation industry at all levels - international, domestic, regional and general aviation including through skills and productivity improvements. It sets out initiatives to ensure better planning and integrated development on and around airports and to lessen the adverse effects of aviation activity on the environment and communities.<sup>4</sup>

In Chapter 6 of the White paper entitled *Aviation safety regulation and investigation*, there is discussion about strengthening the Civil Aviation Safety Authority (CASA). Public response to the Green paper clearly expressed the view, according to the paper, that 'government safety agencies should have the resources to do their job effectively.'<sup>5</sup>

In recognition of the importance of CASA's role, the Government in 2009-10 provided modest additional funding and acknowledged the need to provide a stable and on-going funding base. The principal sources of income for 2009-10 financial year included:

- direct Government appropriation through the annual budget process
- revenue from an excise levied on all aviation fuel consumed for domestic operations
- cost recovery arrangements for regulatory services provided to industry
- resources provided by Airservices Australia for airspace regulation services performed by CASA's Office for Airspace Regulation

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4. Department of Infrastructure, Transport, Regional Development and Local Government, 'A National Aviation Policy Statement- the Aviation White Paper,' Department's website, viewed 15 June 2010, <http://www.infrastructure.gov.au/aviation/nap/>
  5. Flight Path to the Future, op. cit., p. 103.

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- fee-for-service revenue for the issue and renewal of Aviation Security Identity cards and Aviation identity cards.<sup>6</sup>

### Federal Budget 2010-2011

As part of the Federal Budget for 2010-11, the Government has committed \$89.9 million additional funding over four years to strengthen the capacity of the Civil Aviation Safety Authority. This figure, which represents a 30 per cent increase over current levels, will go towards achieving the following objectives:

- employ 97 additional safety specialists, safety analysts and airworthiness inspectors and other staff, allowing the organisation to expand its surveillance activities and fulfil its increasingly complex regulatory activities
- provide expanded and ongoing training to its staff
- make permanent random alcohol and drug testing as well as a number of other programs which until now had been funded on a temporary or ad hoc basis
- make sure the Office of Airspace Regulation continues to have the resources to properly regulate and administer Australia's airspace, an area covering almost 11 per cent of the earth's surface.<sup>7</sup>

In the White paper, the Government stated that it would review the resource base and develop a long-term funding strategy for CASA. As part of the new funding strategy, the Government said it would 'maintain the existing arrangements which ensures all revenue raised through the aviation fuel excise is returned to the industry through funding for CASA's regulatory role.'<sup>8</sup>

The additional funding for CASA will be provided by means of the increase in excise-equivalent customs duty on aviation fuels to \$0.03556 per litre, an increase of \$0.00702 per litre. Subject to the passage of this Bill, the increase will take effect from 1 July 2010 and as previously mentioned, is expected to raise \$89.9 million over the forward estimates period.<sup>9</sup>

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6. Ibid.

7. A Albanese (Minister for Infrastructure, Transport, Regional Development and Local Government), *Budget delivers an unprecedented boost to Aviation*, media release, 11 May 2010, viewed 8 June 2010, [http://www.ministers.infrastructure.gov.au/aa/releases/2010/May/budget-infra\\_04-2010.htm](http://www.ministers.infrastructure.gov.au/aa/releases/2010/May/budget-infra_04-2010.htm)

8. Flight Path to the Future, op. cit., p. 103.

9. Australian Government, 'Part 2: Expense measures: Infrastructure, Transport, Regional Development and Local Government, Aviation safety-Civil Aviation Safety Authority funding strategy,' *Budget measures: budget paper no. 2: 2010-11*, Commonwealth of

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## Definitions

An **excise** is ‘a tax on goods levied at some point in their production or distribution which has the effect of increasing the price of the goods supplied to the customer.’<sup>10</sup>

## Committee consideration

As of 9 June 2010, the Bill has not been considered by any committee.

## Financial implications

The increase in excise was announced in the Federal Budget for 2010-11. The Explanatory Memorandum states that the measure will result in an additional \$89.9 million for CASA over four financial years from 1 July 2010 to 30 June 2014.<sup>11</sup>

## Main provisions

### Schedule 1—Amendments to the Excise Tariff Act 1921

**Item 1 amends subitem 10.6** of the Schedule to the Act. Subitem 10.6 deals with the rate of duty for gasoline used as fuel for aircraft. The rate of duty is increased from \$0.02854 per litre to \$0.03556.

**Item 2 amends subitem 10.17** which deals with kerosene for use as fuel in aircraft. The rate of duty is increased from \$0.02854 per litre to \$0.03556.

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Australia, Canberra, 2010, viewed 8 June 2010, [http://www.aph.gov.au/budget/2010-11/content/bp2/html/bp2\\_expense-16.htm](http://www.aph.gov.au/budget/2010-11/content/bp2/html/bp2_expense-16.htm)

10. Definition of *Excise*, Encyclopaedic Australian Legal Dictionary, LexisNexisAU.
11. Explanatory Memorandum, Excise Tariff Amendment (Aviation Fuel) Bill 2010, p. 1.

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