



Notice to Industry

Fuel Tax Confusion Related to Container Road Transport



The Federal Government's Budget 2022 decision to reduce the Fuel Excise rate from 44.2 cents per litre (cpl) to 22.1cpl for a six-month period seems to have caused confusion about the likely impact on Customer Fuel Levies or Surcharges applied by container road transport operators on top of base cartage rates to account for fluctuations in diesel fuel prices.

Fuel Excise Impact for Heavy Vehicle Operators:

Seemingly, some container logistics stakeholders think that heavy vehicle road transport operators will benefit fully from the 22.1cpl in Fuel Excise. That is simply not the case.

The effective reduction for road transport businesses is 4.3 cents per litre, not the headline figure of 22.1 cents per litre. This is because transport businesses will not receive Fuel Tax Credits (FTC) for their on-road fuel use during the period of the reduction.

Heavy vehicles across Australia are charged for their on-road use of fuel through a Road User Charge (RUC) set by the Commonwealth Government – currently the RUC is 26.4 cents per litre (cpl).

Normally, heavy vehicle operators can claim back in Fuel Tax Credits (FTC) the difference between the Fuel Excise Rate (pre-Budget 44.2cpl) and the RUC – prior to the Budget that meant a Fuel Tax Credit of 17.8cpl for diesel used for on-road heavy vehicle operations.

Now that the Fuel Excise Rate for diesel has been reduced to 22.1cpl for six months, heavy vehicle operators cannot claim any FTC. Effectively, this means that heavy vehicle operators only benefit from a 4.3cpl reduction in the Fuel Excise Rate (i.e. the difference between the current RUC of 26.4cpl and the temporary excise rate of 22.1cpl).

Impact on Diesel Fuel Prices:

Many transport businesses base their Customer Fuel Levy calculations on the difference in current diesel fuel pricing (wholesale or retail) and fuel price at the time that their base cartage rate was set with their customers, divided by the percentage of overall heavy vehicle operating costs apportioned to fuel use.

Irrespective of the Fuel Excise reduction by the Government, Australian fuel prices are closely linked to international prices which are influenced by many global factors.

In the week since the Budget announcement of fuel excise reduction of 22.1cpl, average retail prices for **petrol** have reduced by 13.3cpl ([Australian Institute of Petroleum Weekly Petrol Price Report – Week Ending 3 April 2022](#)).

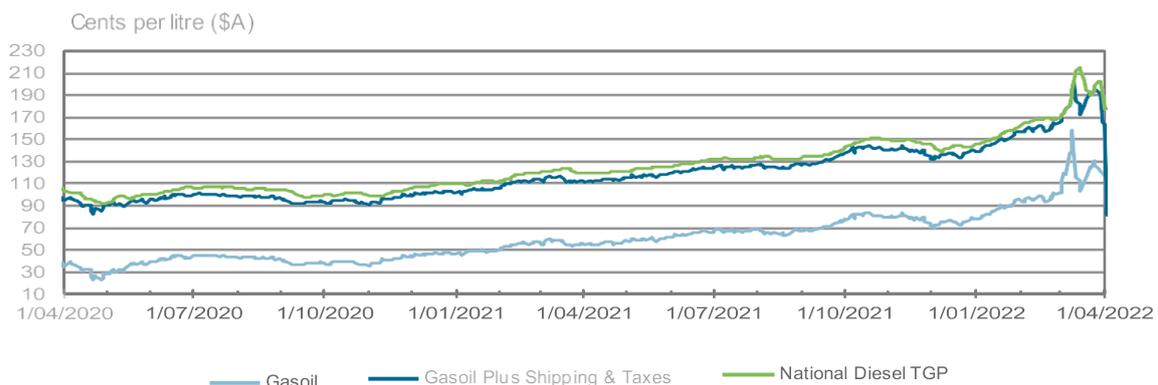
Whereas, **diesel fuel prices** have only reduced by 3.0cpl wholesale (Terminal Gate Price (TGP)), and only by 6.1cpl at the retail pump ([Australian Institute of Petroleum Weekly Diesel Price Report – Week Ending 3 April 2022](#)).

According to the Australian Institute of Petroleum (AIP), the Australian refining sector is a price taker. Domestic prices are closely linked to international prices.

The Singapore benchmark price of diesel (Gasoil 10ppm sulphur) is the key diesel price benchmark for Australia. Key factors are:

- The Gasoil price plus shipping costs and Australian taxes represents almost the entire wholesale price of diesel (around 95%)
- There is no retail discounting cycle (i.e. sawtooth pattern) for diesel, as only 25% of diesel is sold through retail outlets and most of this goes to contract or fuel card customers rather than private motorists;
- Most diesel is sold in bulk to commercial/industrial customers (e.g. mining, transport and farming) on long term contract; such contracts are subject to rigorous competition under regular market tenders.

Figure 3: Comparison of Australian Diesel TGP (Or ‘Wholesale Price’) With Singapore Diesel Price (Gasoil)



Early indications are that we are seeing a slower reduction in diesel prices in Australia, irrespective of the Federal Government’s halving of the Fuel Excise rate, and global factors are still very much in play. Generally, there is a short time lag of 1-2 weeks between changes in Singapore prices and changes in Australian prices.

Container transport operators will continue to liaise with their customers about their level of Customer Fuel Levies to recover the fluctuating diesel prices in the marketplace.

However, the Notice to Industry explains why the headline rate of temporary Fuel Excise reduction of 22.1 cents per litre (cpl) by the Federal Government has only a small bearing on the cost of diesel fuel to container road transport operators due to international pricing factors and the way in which heavy vehicles are taxed for their use on public roads in Australia.

Container Transport Alliance Australia (CTAA)

About CTAA - Container Transport Alliance Australia (CTAA) is strong Alliance of leading businesses engaged in the container transport logistics industry. CTAA Alliance companies account for the majority of containerised freight handled in capital city ports in Australia.