



15 July 2016

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Dear Director

***Re - Biofuel Mandate Implementation Paper 1 - Retail Threshold***

**1. Introduction**

1.1 The Motor Trades Association of Queensland (MTA Queensland or the Association) responds to your request for consideration of the Department of Energy and Water Supply's (DEWs) Biofuel Mandate Implementation Paper 1 - Retail Threshold (paper).

1.2 Thank you for the update on the Department of Energy and Water Supply's (DEWS) analysis of the biofuels mandate fuel retailer threshold. Our Service Station and Convenience Store Association of Qld (SSCSAQ) membership have discussed the different threshold scenarios and provides the comments below for your consideration in determining the threshold for standard service stations that are owned or operated by a fuel retailer with nine (9) or fewer sites.

1.3 SSCSAQ members support the views outlined in your paper:

The benefit of increasing the threshold includes reducing the number of retail sites (and therefore the number of fuel sellers) that are captured by the mandate, which translates into lower overall implementation costs for fuel retailers.

"... a higher threshold ... would reduce the number of exemption applications, thus reducing the number of exemption applications resulting in administrative savings for both the Department of Energy and Water Supply, and for industry."

1.4 It is appreciated that "the disadvantage of a higher threshold is that it reduces the volume of biobased petrol that must be sold in order to meet the mandate, which has the potential to undermine the overall objectives of the mandate." As indicated in point (4) below, the higher threshold will enable considered decision making for retailers contemplating expansions.

**MTA Queensland**

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## 2 Consideration of threshold options

2.1 Thorough consideration was given to the five threshold options taking into account the diverse fuel retailing operations and the geographical spread of the SS&CA members. The preferred threshold is 500 kilolitres per month. The rationale for this preference is based on:

- (1) Explicit with the bio-fuel mandate is that all service stations regardless of locality would provide the choice of E10 or RULP for consumers. In non-metropolitan areas this choice is limited or non-existent. Generally, most small sites offer RULP to consumers. If small sites are required to convert from RULP to E10, consumers will be denied choice, particularly when the vehicle need is RULP and no other outlet supplies the product within their vicinity. Consumer choice is an issue that needs to be addressed.
- (2) Retailers unable to supply both RULP and E10 would be financially disadvantaged. E10 will have a higher wholesale price due to increases in the excise rate in domestic ethanol. From July 1 2016 the rate rose from 0% to 6.554% and will increase each year at the same rate until it reaches 32.77%. It would be commercially unviable for any small retailer e.g. under 500k litres per month to fund the equipment and tanking (up to \$200k) to provide both products to stay competitive in the market place. Smaller fuel retailers would have a genuine case for undue hardship associated with compliance costs.
- (3) E10 has not proved a popular choice by consumers. A retailer unable to provide both E10 and RULP on their forecourt will be financially disadvantaged causing hardship particularly in the instance where both products are offered by a competitor. The experience is that consumers prefer and will seek RULP over E10.
- (4) The higher threshold will enable retailers to make considered business decisions on the tank and equipment installation and supply of E10 on their forecourts without the pressure of having to comply with the mandate.

## 3 MTA Queensland background

- 3.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of Queensland's automotive industry located in the State. There are some 13,000 automotive value chain businesses employing in excess of 90,000 persons generating in excess of \$14.5 billion annually. It is an industrial association of employers incorporated pursuant to the *Industrial Relations Act* of Queensland. The Association represents and promotes issues of relevance to the automotive industries to all levels of Government and within Queensland's economic structure.
- 3.2 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering technical, retail and the aftermarket phases of the motor trades industry through the MTA Institute (MTAI) - a registered training organisation. It is the largest automotive apprentice trainer in Queensland employing in excess of 35 trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald. The MTAI last financial year accredited courses to in excess of 1,600 apprentices and trainees.

**4 Conclusion**

- 4.1 Thank you for your inclusive consultations. We would be pleased to provide further comment on any matters in our submission that may require further clarification or amplification.

Thank you for your consideration.

Yours sincerely

Handwritten signature of Brett Dale in black ink.

Brett Dale  
**Chief Executive Officer**

Handwritten signature of Kellie Dewar in black ink.

Kellie Dewar  
**General Manager**