

Liberal Green Shift Plan Gets Negative Reaction from Trucking Industry

CTA touts its enviroTruck plan as the better way to reduce GHG and air pollution

(Ottawa: June 20, 2008) -- The Canadian Trucking Alliance was quick to respond after federal opposition leader Stephane Dion introduced his party's carbon tax plan on June 19th. "While the devil is always in the details," says CTA's CEO, David Bradley, "the last thing the trucking industry needs is more tax on diesel fuel; with diesel fuel prices at record highs and fuel overtaking labour as the number one component of operating cost the trucking industry does not need further price signals from government to know that improving fuel efficiency and thereby reducing GHG emissions is a good thing."

Dubbed "Green Shift", the allegedly "revenue-neutral" plan proposes to shift part of the burden of taxation away from income and towards pollution, putting into law that every dollar that is raised from taxing carbon pollution be returned to Canadians in tax cuts or through increased spending for certain social programs. . The plan will likely be the centrepiece of the federal Liberals' next election platform.

Reflecting the theory that by putting a price on carbon emissions, individuals and businesses will make decisions to reduce polluting activities, the initial price for carbon will be set at \$10 per tonne of greenhouse gas emissions and will rise by an additional \$10 per tonne each year, totalling \$40 per tonne within four years. The carbon tax will apply to home heating oil, jet fuel, kerosene, natural gas, propane, coal and diesel fuel. Gasoline oddly enough would not be subject to a carbon tax because the current federal excise tax on gasoline of 10 cents per litre is supposedly equivalent to \$42 per tonne of GHG. In addition, since diesel and aviation fuel are already taxed at four cents per litre, the carbon tax on these fuels would see no increase in the first year of the plan. In the examples provided in the plan, the federal tax on diesel fuel would rise by an additional 7 cents per litre by the 4th year – or 4.9% compared to current prices.

According to Bradley, who is trained as an economist, "I appreciate the theoretical underpinning of a carbon tax, of pricing externalities. I could probably even design a carbon tax that the trucking industry would find palatable and that would actually help the industry improve its fuel efficiency, but this plan will simply make freight transportation in Canada more expensive, impairing Canada's competitiveness and impeding investment in fuel efficiency."

"We already have the four cent a litre federal excise tax on diesel fuel, which serves no policy purpose whatsoever, other than to raise cash for the federal government. They could, for example, make that tax a carbon tax, and earmark the revenues generated by it to assisting the industry in its efforts to accelerate the penetration of the new generation of smog-free trucks and fuel efficiency technologies into the marketplace," he said. "That is what our enviroTruck initiative is all about – getting the new things that can have a profound impact on lowering smog and GHG emissions into the fleet quicker. Taxing diesel fuel is not going to help that process; it's only going to make it more difficult for carriers."

Bradley says truckers have a different view of what tax revenue-neutrality means compared to what is espoused in Green Shift. "There is no tax neutrality for truckers in this plan," he contends. The plan itself estimates that the end of the fourth year "the average freight trucker's total annual operating expenses (will be increased by) approximately \$1,700 per year."

Bradley contends that the proposed modest reductions in corporate income tax rates will do little to offset the impact of a carbon tax in a low margin business like trucking. In addition, the plan proposes to accelerate CCA write-offs for "green technologies", investments that would help the trucking industry to conserve fuel – auxiliary power units, aerodynamic fairings, wide base single tires, and the other components of an enviroTruck – are not currently eligible for faster CCA treatment. "The tax system is geared to providing incentives to other industries, not trucking," Bradley contends.

The Green Shift plan is silent on how or if it intends to collect the carbon tax from US carriers. It is possible that US trucks will be exempt which will exacerbate the tough competitive position that Canadian truckers are already in, given the high dollar and shrinking trade surplus. "On any given day, about 30% of the transport trucks on Canada's major trade routes are from the US; a carbon tax that applies only to Canadian trucks would have a profound impact on our industry's competitiveness and would do nothing for the environment."

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Find out more about CTA's enviroTruck initiative:
<http://www.cantruck.com/envirotruck/index.html>

About CTA -- The Canadian Trucking Alliance is a federation of provincial trucking associations. We represent a broad cross-section of the trucking industry—some 4,500 carriers, owner-operators and industry suppliers. With our head office in Ottawa and provincial association offices in Langley, Calgary, Regina, Winnipeg, Toronto, Montreal and Moncton, CTA represents the industry's viewpoint on national and international policy, regulatory and legislative issues that affect trucking.
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