

# **FUEL TAXATION INQUIRY**

**SUBMISSION FROM NQEO Coop Ltd.  
(North Queensland Essential Oils Coop Ltd.)**

**P.O.Box 265,**

**DIMBULAH QLD. 4872**

**TELE; 07 40935451**

**Fax; 07 40935468**

**EMail; [nqessentialoils@ledanet.com.au](mailto:nqessentialoils@ledanet.com.au)**

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As an introduction we will give you a brief history of our organization and how fuel tax has a major impact on Tea Tree farmers and our local rural community.

Approximately eight years ago a few pioneer farmers in the Dimbulah district of north Queensland went looking for a new crop to replace the tobacco crops that had been grown here since the early 1930s and were in serious decline because of the anti-smoking campaign.

Tea Tree Oil was selected as demand was rising and it appeared to fit into the intensive irrigated farming practices used on the small farming blocks in this area. Except for the harvesting equipment the existing farming machinery also fitted in with this crop.

After the initial trials proved highly successful a group of about 65 farmers formed our Cooperative to collectively grow and market a guaranteed continuous supply of high quality tea tree oil to manufacturers to use in products in the pharmaceutical and cosmetic industries.

A study was conducted into the best method of harvesting and distillation suitable for this area and farm sizes. Two main systems were identified.

1. A large centralized processing plant with an equally large transport fleet continually moving harvested material to this plant.

2. Design and build a small number of highly efficient portable distillation units which could easily be moved from farm to farm.

The second system was chosen as it allowed each crop to be harvested at the optimum time and also limited the high capital and running costs of a fleet of trucks. We decided that this decision was not only economically sound but also environmentally sound.

The small diesel powered units have proven to be highly effective and use small package burner units to create the steam to remove the oil from the harvested and mulched tea trees. When we first started using them we believed we could legally use the fully rebated diesel fuel as used in similar burners in the tobacco industry. On making claims for this diesel fuel rebate we were informed we could claim only the fuel used in the harvesters and tractors but not the fuel used in the distillation process.

Deputation were taken to the Members of Parliament responsible who agreed that without the distillation process we cannot produce our oil and that it is part of the primary harvesting process, but customs office have indicated that legislature would need to be changed to allow the rebate. At that time we were receiving good prices for our oil and were able to absorb the additional costs.

As with many new agricultural ventures “mass marketed tax effective investment schemes” moved in with highly optimistic production and financial projections and planted large areas of trees to supply the supposedly unlimited market, this could only have one outcome. Private farmers also believed these projections and planted crops of tea trees in many areas down the East Coast of Queensland and the Northern Rivers area of Northern NSW. The oversupply this created caused the price to crash resulting in the collapse of some corporate farms and the bankruptcy of many private operations. With many other countries trialing tea tree planting, the chances are that another wonderful natural Australian product will be grown offshore and sold back to us. This is another reason we need to keep our costs low.

Many growers have in the past, and are continuing to, support R&D. with the assistance of RIRDC into new uses for tea tree oil and many new products are about to be released to the public. These products fit into the

pharmaceutical, cosmetic, agricultural, marine and domestic markets and have the ability to replace many nasty present day chemicals, which are causing a lot of environmental damage.

A determined effort by the Australian Tea Tree Industry Association (ATTIA) combined with the board of NQEO to bring together the growers left in the industry to participate in an orderly marketing scheme. Applications have already been called for a professional marketing person to assist us with the implementation of this plan. Combine this with good economic farming practices should see the tea tree oil industry on the road to recovery. Fuel costs, for our distillation process, is one of our major inputs, accounting for approximately 25% or more of our total costs.

The industry is now relatively small but is mainly export oriented. Any reduction in costs would help to lift our export income. The world is now more than ever focusing on clean, green products with antimicrobial and antifungal properties. With professional orderly marketing, efficient farming practices and the demise of most of the “Tax effective investment farms” the future of our rural community would be assured.

A light power station fuel oil (LPSFO) is available with only a small tax component but because we have to purchase 32,000 litres each order it creates a major storage problem. We have been informed this fuel is made from a mixture of diesel fuel and a heavy black bituminous substance to identify it from normal fuel, to prevent it being used in road transport etc. Because of the impurities in the fuel the filters on our small burners frequently block causing poor combustion and therefore environmentally unfriendly emissions. It has been estimated that the carbon sink created by the continuous growth of the tea trees would off set any bad emissions emerging from our burners when operating efficiently. LPG (Liquid Petroleum Gas) was trialed but proved costly and with the cost of relocating high-pressure storage tanks, and the safety issues involved, this idea was abandoned.

With reference to part 7: Issues the inquiry is to have regard to

- a. The development of more environmentally friendly products would create competition in the Australian economy coupled with the export potential of pure oil and the same products could have large economic impact. For example the research in

progress at the University of WA under the guidance of Professor Tom Riley, using tea tree oil, leads the World in the control of Golden Staph. The economic benefits to Australia from this project alone could be huge.

- b. Local fuel agents would benefit from again being able to supply our Industry, as they are unable to handle LPSFO under the present laws.
- c. The welfare of this small community is pivotal on the economics of farming crops. This has a flow on effect in employment and goods and services for the community. As many of our local farmers invested heavily in the planting of their tea tree crops their level of debt is quite high and they now exist on Government welfare. If growers again became viable then their dependence on welfare would cease.
- d. The benefits to the community in general and the environment would far out weigh the potential damage from the emissions produced by burning fuel for distillation. If fuel taxes were to increase, the extra costs of transport would impose a severe strain on our industry.
- e. With the trials of LPG proving to be unsuccessful we believe that diesel fuel is the best fuel available environmentally. However we are ever vigilant of any new developments in fuel technology that could help us reduce emissions.
- f. When our industry stabilizes the benefits to the Australian Government would not only be from the farmer's taxes but from employees as well. Products manufactured from tea tree oil would also create employment with additional benefits to Government

The loss of revenue to Government from this industry would be relatively minor but small savings to tea tree oil producers could mean the difference between the survival and the loss of another primary industry for Australia.

Signed,

Brian Dunigan. (Vice Chairman).