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Mr. Darren Weiner
Excise Tax and Other Levies
Excise Duties and Taxes Division
Canada Revenue Agency
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May 31, 2010

Dear Mr. Weiner:

I am writing in response to the Excise Taxes and Special Levies Notice (ETSL73) regarding hotel services that was issued by the Canada Revenue Agency in March 2010.

By way of background, the Canadian Trucking Alliance (CTA) is a federation of Canada's provincial trucking associations representing some 4,500 motor carriers from coast to coast. Several years ago CTA made representations to CRA regarding a rebate of the federal excise tax on diesel fuel for so-called hotel services, and we were extremely pleased when Policy Statement EP-003 was issued effective April 1, 2008. We felt at the time that the new policy would introduce greater fairness into the tax system by allowing for a rebate of the federal excise tax on diesel fuel consumed to operate devices that exist for the comfort and convenience of the driver, such as heating, air conditioning or the operation of an entertainment system or microwave oven in the sleeper berth of the truck.

Unfortunately the experience to date has been disappointing. A number of carriers have come forward to CTA indicating that they have applied for, but been denied, an excise tax rebate under the policy. On July 10, 2008, CTA wrote to Mr. Duncan Jones of your department seeking clarification that might assist carriers in preparing their claims. While CTA received an acknowledgment that this correspondence had been received by CRA, we have no record of any follow up or detailed response to our questions. The issuance of ETSL73, including the acknowledgment that calculations required under the policy are "costly and time consuming for industry and government alike" is most welcome by CTA. It is hoped that suggestions made here, and in follow up discussions, will reduce the complexity involved in the preparation of rebate submissions by carriers, as well as simplify the assessment burden on CRA staff.

It would appear fairly obvious to CTA that the first issue that needs to be addressed is the requirement to ascertain the electrical draw for each piece of equipment on board the truck, supported by "detailed engineering reports". It is difficult to fathom how a carrier, particularly one with hundreds or thousands of trucks in its fleet, could monitor and supply this type of data for each and every truck in order to justify a claim. In our view, the starting point for the calculation needs to be a simpler methodology that will allow for an accurate distinction to be made between fuel used for propulsion, and fuel consumed while the truck is at idle.

We would argue that virtually all fuel consumed during idling is for the purpose of the comfort and convenience of the driver, whether it be a situation where the driver is in the sleeper berth, waiting at a loading dock, or waiting for a government inspection to take place. There is no propulsion taking place in any of these scenarios, and fuel consumed is almost exclusively to produce electricity for driver comfort and convenience, whether it be provide heat or air conditioning, a radio, lights to allow the driver to read paperwork, or to operate a TV or microwave in the sleeper berth. The essential point is that no fuel is being consumed to propel the vehicle while the truck idles.

In order to make a calculation of fuel consumed for propulsion versus that used at idle, carriers could rely on data downloaded from the engine computer, or from satellite tracking records. It would then be possible to multiply the number of hours at idle, times the engine's fuel consumption/hr at idle, which is available from engine manufacturers. Total fuel consumption at idle would then be multiplied by .04 to determine the rebate.

There may be minor adjustments required to subtract fuel consumed to operate ancillary equipment while the truck idles, such as a power take off. Further research is required on this point.

The situation outlined above is one where the truck is exclusively using the engine to generate electricity. However, in recent years, many carriers have invested in devices called Auxiliary Power Units, or APU's, in order to generate electricity with significantly reduced fuel consumption and emissions. Because these devices are used when the engine is off in order to provide electricity to the cab, CTA would argue that all of the fuel consumed by APU's should be eligible for rebate, as the electricity produced is almost exclusively used for the comfort and convenience of the driver.

The starting point for a rebate calculation for a truck with an APU is to monitor the amount of time the APU runs (devices can come equipped with a "run time" monitor). Once the number of hours has been determined, one would then multiply the hours times APU fuel consumption/hour (again supplied by the manufacturer) to yield the total fuel consumed by the APU. This figure would be multiplied by .04 to determine the rebate. It may be justifiable as well under this scenario to add in engine idle time when the APU is *not* in use, using the methodology previously described.

CTA is confident that under either scenario described above, carriers would be in a position to supply accurate records of idle time/APU use, and that manufacturers' specifications would yield a defensible fuel consumption figure for an engine at idle or a functioning APU. We believe that rebate calculations would be simplified for carriers, while at the same time giving CRA an audit trail to ensure that the rebate had been claimed consistent with policy guidelines and intent.

I trust these recommendations will be given serious consideration by CRA, and look forward to follow up discussions with departmental officials.

Sincerely,



Ron Lennox
Vice President