



Canadian Automobile Association

**SUBMISSION
to the
House of Commons Standing Committee on Finance**

***Taxation Policy to Support Road Safety, Prosperity and the
Environment***

August 2007

EXECUTIVE SUMMARY

The Canadian Automobile Association (CAA) is pleased that the theme for the House of Commons Standing Committee on Finance's pre-budgetary consultations this fall is: "the tax system the country needs for a prosperous future". Canada's competitiveness in the world, and the standard of living enjoyed by all Canadians is linked directly to a fair and equitable tax system. Although Canada has an enviable record of economic performance according to several economic indicators, the Canadian Automobile Association on behalf of its five million members recommends that changes be made to our tax system to support safe driving, prosperity and the environment.

As Canada's premier membership based voice for travel safety, CAA strongly believes that safety, prosperity and the environment are key principles in developing a national highway strategy. Improving Canada's roads and highways will result in safer roads, increased prosperity and reduced emissions. In addition, Canada can support reduced emissions by ensuring that economic incentives are in place to encourage motorists to select the most environmentally sustainable mode of transportation this is available and practical.

Accordingly, CAA recommends the following:

1. That the federal government utilize the federal excise tax on transportation fuels solely for federal highway and roads infrastructure investment.
2. The government should ensure that any sales tax on gasoline is applied to the pre tax price only.
3. The federal government is urged to provide industry with incentives to make alternative fuels available and accessible to consumers.
4. The government should remove federal taxes on vehicle emission control equipment.
5. The government should extend the eco-auto rebate program to 2010.

WHO WE ARE

The Canadian Automobile Association (CAA) is a federation of 9 clubs serving five million members across Canada. Its more than 148 local offices provide a suite of services including: automotive, travel, insurance, roadside assistance, traffic safety and advocacy. As Canada's premier member-based traffic safety and advocacy organization, we continue to work with both provincial and federal governments to protect motorists and travellers. CAA has been at the forefront of the movement for adequate roads and the safety of those roads, has fought for equitable taxation policies, and has promoted safety practices for Canadians travelling both at home and abroad.

RECOMMENDATIONS

Through this submission, CAA continues to encourage the federal government to work with the provinces towards the establishment of a national highway strategy. That said, the next federal budget should include numerous tax policies to be undertaken by the government of Canada to ensure tax fairness, improve road safety and encourage eco-driving on our roadways.

A. Taxes Collected from Motorists should be Appropriate and Equitable

Road users are prepared to fund taxation that reflects the investments by the federal government in roads and highways. Road user revenues, such as those from fuel taxes, should fund road and highway improvements. In 2006, the federal government collected gasoline excise taxes far in excess of the investment in infrastructure improvements.

Recommendation #1:

CAA recommends that the federal government utilize the federal excise tax on transportation fuels solely for federal highway and roads infrastructure investment.

Recommendation #2:

CAA strongly supports a tax policy that would ensure that any sales tax on gasoline be applied to the pre-tax price only.

B. Tax Measures should Encourage Environmental Choice

CAA supports the federal government's Eco-Auto rebate program and other economic incentives for fuel efficient automobiles. CAA recommends that the government extend this program to 2010. To further enhance Canada's commitment to support green technologies, CAA calls on the government to eliminate taxes on emission control devices to further support the government's initiative to encourage low-emission vehicle sales.

Recommendation #3:

The federal government is urged to encourage the growth of the alternative fuels and provide incentives to make alternative fuels available and accessible to consumers.

Recommendation #4:

The federal government should remove federal taxes on vehicle emission control equipment to further support the government initiative to encourage low emission vehicle sales.

Recommendation #5:

The federal government should extend the eco-auto program to 2010 in order to provide incentives to promote sales of hybrid electric vehicles and next-generation, zero-emission vehicles, in addition to proposed alternative-fuel incentives for fleets, trucks and buses.

CONCLUSION

The Canadian Automobile Association submits these recommendations aimed at bridging the gap between taxes paid by motorists and the government's investment in improving our roads and highways. CAA strongly encourages the government implement equitable taxation policies to ensure that motorists do not shoulder an inappropriate tax burden.

In closing, as a significant insurer of automobile, travel and householder insurance, the Canadian Automobile Association also appreciates the work of the federal government to reduce crime and specifically property crime.

In addition, as the country's largest wholly owned leisure travel agency, our members appreciate the federal government's work towards ensuring that travel, and particularly air travel, is as safe as possible. We fully support the review of all federal components of travel costs including airport fees, taxes and security fees to ensure that the funds are required, that they are used, and that they meaningfully add to the travel experience.

The Canadian Automobile Association appreciates the opportunity to participate in the pre-budget consultation process undertaken by the House of Commons Standing Committee on Finance. This submission represents the views and interests of our over five million members across Canada.