CANADIAN Taxpayers FEDERATION

Fighting for taxpayers

CANADA'S GAS TAXES = HIGHWAY ROBBERY

Prepared for the 2nd Annual Gas Tax Honesty Day
May 18, 2000

National Study

Canadian Taxpayers Federation
Suite 604-1207 Douglas Street
Victoria, British Columbia
V8W 2E8

Bus: 250-388-3660
Fax: 250-388-3680

www.taxpayer.com

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit, non-partisan, education and advocacy organization founded in Saskatchewan in 1990. In ten short years the CTF has grown to become Canada's foremost taxpayer advocacy organization with more than 80,000 supporters nation-wide.

The CTF's three-fold mission statement is:

- To act as a watchdog on government spending and to inform taxpayers of governments' impact on their economic well-being;
- To promote responsible fiscal and democratic reforms, and to advocate the common interest of taxpayers; and
- To mobilize taxpayers to exercise their democratic rights and responsibilities.

The CTF maintains a federal and Ontario office in Ottawa and offices in the four provincial capitals of British Columbia, Alberta, Saskatchewan and Manitoba. Provincial offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

The CTF's official publication, *The Taxpayer*, is published six times a year. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets nationally as well as providing media comment on current events. The CTF staff and Board of Directors are not permitted to hold memberships in any political party. The CTF is funded by free will, non-receiptable contributions and the CTF does not receive contributions from government.

The CTF's award winning web site can be found at: **www.taxpayer.com**.

Related Web Documents

Just click on the following links to access these web pages.

- 2000 Gas Tax Honesty Day News Release – May 18, 2000
- Cut Gas Taxes Online Petition
- 1999 Gas Tax Honesty Day News Release
- 1999 Gas Tax Report
- Related Articles

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Main Findings

- In the last year, gas taxes accounted for an average of 50% of the pump price paid by Canadian motorists.

- Gas tax revenues and motoring related fees have reached record high levels. The federal government collected over $4.7 billion in gas taxes in fiscal 1998-1999 and returned a paltry 4.1% or $194 million back to provincial transfers for road and highway development.

- Even with pump prices hovering around 70 cents a litre or more, Canadian motorists are still paying between 37% and 47% in taxes to the appropriate provincial and the federal governments.

- While the pricing structure of oil is complex, the industry has done little to adequately explain pump price volatility to consumers thus reinforcing consumer suspicions of gouging and a price fixing conspiracy.

- Numerous government studies have found no evidence of a “conspiracy” to coordinate pricing practices amongst the gasoline companies.

CTF Recommendations

- Reduce federal and provincial fuel tax rates to levels commensurate with highway funding;
- Dedicate fuel tax revenues to highway construction and maintenance;
- Eliminate the HST and GST charges on the tax component of the pump price;
- Encourage service stations to post pre-tax and post-tax prices on appropriate exterior signage.

Introduction

During the past year, Canadians have witnessed a great deal of volatility in the price of gasoline at the pumps. This has prompted individual motorists and consumer groups to renew their calls for market studies and gasoline retailer boycotts. Again, public outcry has been primarily levied against gasoline retailers and the petroleum industry. Governments – the largest profiteers at the pumps – remain largely unscathed. However, there is some reason for guarded optimism. After the budget was tabled, the federal Finance Minister mused about reducing gas taxes. But errant musings are no substitute for legislative action. In order to get real relief, taxpayers must remain vigilant in demanding that federal and provincial politicians reduce gas taxes.

This year, as the CTF embarks upon its second annual Gas Tax Honesty Day, several tools will be offered to aid taxpayers and motorists with this vigilance. In addition to the body of research contained in this report, the CTF will utilize its web site to drive a national petition campaign in advance of the fall pre-budget deliberations (where cutting gas taxes will be a priority) as well as providing a vehicle for tracking and reporting on fluctuations in gas prices during long-weekends in summer 2000.

Gas taxes in Canada are tantamount to highway robbery. Although Ottawa collected almost $5 billion in federal gasoline taxes last year, the Department of Transport returned a paltry $194 million to the provinces for roadway and highway spending. The ten-year average of federal returns to the provinces is a paltry 4.7% and this amount fell to 4.1% in fiscal 1998-99. Gasoline tax revenues continue to climb, while government commitment to real roadway and highway spending continues to decline.

The need for improvements to our national highway infrastructure and its links to our national competitiveness has been well documented, yet governments fail to redirect the billions in annual gas tax revenues back to roadway and highway spending.

Road rage due to high and volatile pump prices is understandable, but consumer anger is partly misplaced. Rather than solely blaming distributors and retailers, consumers need to have better information about fuel tax policy and its impact on pump prices.

Even more troubling is the fact that the combined federal, provincial and municipal tax burden at the pump is now the largest component of the total price paid by motorists.

Apart from taxes, this study attempts to shed some light on the pricing structure for an entire litre of gasoline. However, our purpose is not to defend or explain the non-taxable portion of the pump price charged by Canada's oil companies. This is a task for the petroleum industry (aka: big oil) to undertake. However, in the absence of an aggressive and concerted effort by big oil to engage in this debate, consumers, motorists and taxpayers can be forgiven for buying into the myths that politicians peddle about big oil in a transparent effort to deflect blame from their own taxing behaviour.

Gas Tax Honesty Day

The first Gas Tax Honesty Day was staged by the CTF on May 20, 1999. In one short year the CTF has played a role in educating motorists and taxpayers about the almost 100% markup paid at the pumps each time they ***fill 'er up***. This year's Gas Tax Honesty Day is designed to further raise public awareness and focus public attention around two simple truths:

1) Gas taxes (on average) represent 50% of the pump price, and
2) The majority of gas taxes collected, are not put back into road and highway improvements.

This report and consequent CTF advocacy activities will focus debate on the issue of gas taxes and should generate broad support for a lowering of the overall tax burden for motorists.

Survey of Gas Taxes, Fees and Spending

In 1989-90 the federal government collected $2.5 billion in combined federal gasoline taxes, by 1998-99 this amount increased by almost 90% to $4.7 billion. While consumption patterns have played some role in this increase during the last decade, gasoline tax hikes have also contributed to this increase of government revenues. In 1989-90 federal gasoline taxes were 8.5 cents/litre, today they stand at 10 cents/litre.

Chart 1 -- Current Canadian Fuel Tax Rates[1]

	Regular Gasoline	Mid-grade Gasoline	Premium Gasoline	Diesel	Aviation Gas/ Turbo Gas	Propane
Federal Taxes						
GST	**7.0%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**
Excise (cents/litre)	**10.0**	**10.0**	**10.0**	**4.0**	**11.0/4.0**	
Harmonized Sales Tax	**15.0%**	**15.0%**	**15.0%**	**15.0%**	**15.0%**	**15.0%**
Provincial Taxes						
Newfoundland	16.5	16.5	16.5	16.5	0.7	7.0
PEI	13.0	13.0	13.0	13.5	0.7	12.0
Nova Scotia	13.5	13.5	13.5	15.4	0.7	7.0
New Brunswick	10.7	10.7	10.7	13.7	2.5	6.7
Quebec	15.2	15.2	15.2	16.2	3.0	
Quebec Sales Tax	7.5%	7.5%	7.5%	7.5%		7.5%
Ontario	14.7	14.7	14.7	14.3	2.7	4.3
Manitoba	11.5	11.5	11.5	10.9	4.2	9.0
Saskatchewan	15.0	15.0	15.0	15.0	3.5	9.0
Alberta	9.0	9.0	9.0	9.0	1.5	6.5
British Columbia	11.0	11.0	11.0	11.5	3.0/3.0-5.0	
BC Sales Tax						7.0%
Yukon	6.2	6.2	6.2	7.2	1.1	
NWT	10.5	10.5	10.5	8.9	1.0	

- HST is only levied in Newfoundland, Nova Scotia, and New Brunswick.
- GST is levied in all other provinces and territories.

[1] M.J. Ervin and Associates, Current Consumption Taxes on Petroleum Products as of 2000/04/01

While not as dramatic as changes at the federal level, provincial gas tax revenues have also increased. During the last decade, they have climbed by 52% from $4.4 billion to $6.7 billion. While provincial gasoline tax rates vary (see Appendix I), in 1989-90 the average provincial gasoline tax rate was 11.0 cents/litre. By 1999-00, this rate had increased to 12.9 cents/litre.

Chart 2 -- Federal Fuel Tax Revenues vs. Transport Canada Spending[2]

Year	Fuel Tax Revenue	GST Revenue (estimate)	Transport Canada Spending	Highway Spending Transfers
1989-90	$ 2,471,000,000	N.A.	$ 3,315,383,580	$ 111,939,063
1990-91	2,472,000,000	$1,074,479,000	3,018,810,961	103,061,659
1991-92	3,441,000,000	1,000,139,000	3,410,682,445	92,276,435
1992-93	3,437,000,000	992,712,000	2,907,404,027	100,365,324
1993-94	3,656,000,000	999,586,000	2,968,880,011	197,299,238
1994-95	3,824,000,000	997,920,000	2,798,108,721	210,964,216
1995-96	4,404,000,000	1,033,585,000	2,547,487,011	256,997,085
1996-97	4,467,000,000	1,174,152,000	1,913,895,336	290,018,879
1997-98	4,638,000,000	1,168,167,000	2,256,373,176	268,414,848
1998-99	4,716,000,000	1,099,490,000	1,072,143,256	194,095,083

- GST revenue based on gross GST revenues collected by retail gasoline and service stations. - Highway Spending Transfers, refer to transfers to provincial governments from Transport Canada for the purpose of roadway and highway spending.

Federal transfers for highway spending have reached a record low when measured as a percentage of total federal fuel tax revenues collected. In the last decade Ottawa's transfers to the provinces for highway spending have never exceeded 6.8% of fuel taxes collected and have averaged a mere 4.8%.

As the chart above clearly indicates, highway spending has historically been a small component of the global Transport Canada budget envelope. It should also be noted the lack of federal attention to highway spending is evidenced by nominal spending decreases since 1996-97. This decline becomes more dramatic when inflation and its effects on purchasing power are factored in. Finally, it should be noted that while federal highway spending when measured as a percent of the global budget envelope has increased since fiscal 1993-94, this relative increase is due to divestiture of various

[2] Source: Public Accounts, 1990-1999.

functions to outside agencies (ex. NavCanada) as opposed to any renewed federal interest in maintenance of highway infrastructure.

Turning to the provincial side of the fuel taxes vs. highway spending argument, we note that annual provincial fuel taxes collected now total almost $7 billion, up from $6 billion just five years ago.

Chart 3 -- Provincial Fuel Tax Revenues (million)[3]

Year	NFLD	PEI	NS	NB	PQ	ON	MB	SK	AB	BC
96-97	$108.5	$27.2	$198.7	$168.0	$1,454.0	$2,491.0	$216.2	$343.9	$545.0	$832.4
97-98	$119.4	$30.1	$204.1	$169.0	$1,486.0	$2,591.0	$215.9	$364.2	$558.0	$847.4
98-99	$121.5	$32.1	$211.6	$171.0	$1,559.0	$2,660.0	$221.3	$368.2	$547.0	$854.0
99-00	$125.5	$33.5	$218.6	$173.0	$1,554.0	$2,810.0	$221.7	$360.0	$570.0	$823.0
00-01	$128.0	$34.2	$232.3	$184.0	N.A.	$2,925.0	$224.0	$347.6	$569.0	$835.0

- British Columbia includes dedicated taxes collected on behalf of municipalities and B.C. Crown Corporations.

Chart 4 -- Provincial Revenues from Motoring Related Levies[4]

Year	NFLD	PEI	NS	NB	PQ	ON	MB	SK	AB	BC
1996-97	$45.2	$9.2	$56.1	$70.9	$490.0	$816.0	$59.4	$93.5	$171.0	$231.9
1997-98	$50.5	$10.4	$52.4	$69.7	$642.0	$820.0	$64.0	$96.0	$182.0	$316.3
1998-99	$49.5	$10.7	$58.3	$71.1	$652.0	$890.0	$63.4	$104.1	$196.0	$329.0
1999-00	$52.0	$11.1	$57.9	$72.9	$679.0	$923.0	$68.3	$110.0	$189.0	$334.0
2000-01	$52.0	$10.5	$58.9	$75.8	N.A.	$920.0	$69.9	$112.4	$200.0	$341.0

- Includes automobile licensing fees and other related fees.

Chart 5 – Combined Fuel Taxes and Motoring Related Revenues

Year	NFLD	PEI	NS	NB	PQ	ON	MB	SK	AB	BC
96-97	$153.7	$36.4	$254.8	$238.9	$1,944.0	$3,307.0	$275.6	$437.4	$716.0	$1,063.9
97-98	$169.9	$40.5	$256.5	$238.7	$2,128.0	$3,411.0	$279.9	$460.2	$740.0	$1,163.7
98-99	$171.0	$42.8	$269.9	$242.1	$2,211.0	$3,550.0	$284.7	$472.3	$743.0	$1,183.0
99-00	$177.5	$44.6	$276.5	$245.9	$2,233.0	$3,733.0	$290.0	$470.0	$759.0	$1,157.0
00-01	$180.0	$44.7	$291.2	$259.8	N.A.	$3,845.0	$293.9	$460.0	$769.0	$1,175.0

During the last ten years, provincial highway spending, on average, has equaled the amount collected in fuel taxes and roadway related revenues. However, the spread to

[3] Source: Provincial Budgets, Main Estimates, 1996-2000.

arrive at this average is striking. Alberta has spent 131% of its fuel tax revenue through its Department of Infrastructure. Though not all of this spending was dedicated to roads and highways, Alberta has a reasonable record on fuel taxes and road and highway spending. At the other end of the scale during the last decade, Saskatchewan (56%), Ontario (71%) and Manitoba (87%) rank as the worst provinces when it comes to putting fuel tax and roadway related revenues back into road/highway improvements.

Coastal provinces tend to spend more on transportation due to marine expenditures – and thus they have disproportionately high spending to revenue ratios ranging from 234% for PEI to 147% for Newfoundland. Given the differing formats of data presentation and levels of specificity that varies from province to province, determining the exact amount spent on highways (capital and operations) has proven troublesome.

Chart 6 -- Provincial Transportation Spending – Ministry of Transportation[5]

Year	NFLD	PEI	NS	NB	PQ	ON	MB *	SK	AB	BC
96-97	$147.2	$44.2	$163.1	$128.8	$930.0	$879.0	$222.2	$172.3	$646.0	$861.0
97-98	$126.3	$59.0	$183.6	$125.1	$1,363.0	$709.0	$224.9	$208.4	$667.0	$788.3
98-99	$142.5	$62.2	$236.5	$131.8	$1,507.0	$607.0	$232.8	$229.7	$1,242.0	$778.6
99-00	$141.3	$66.7	$238.8	$131.4	$1,589.0	$618.0	$293.9	$236.7	$1,306.0	$1,711.7
00-01	$152.0	$66.3	$249.9	$132.5	N.A.	$537.0	$297.6	$250.0	$1,197.0	$635.5

* MB spending from 1999-00 forward reflects amalgamation of the former Government Services dept. Refer to Appendix 3 for a more accurate historical overview of provincial transportation spending.

Chart 7 -- Provincial Capital Spending – Ministry of Transportation[6]

Year	NFLD	PEI	NS	NB	PQ	ON	MB	SK	AB	BC
1996-97	$107.4	$41.4	$71.0	$314.0	N.A.	$1,279.0	N.A.	($55.1)	($115.0)	N.A.
1997-98	$94.0	$37.2	($96.9)	$239.2	N.A.	$1,186.0	N.A.	($76.1)	($148.0)	N.A.
1998-99	$124.7	$30.1	($71.7)	$196.2	N.A.	$892.0	N.A.	($111.9)	($247.0)	N.A.
1999-00	$141.8	$32.1	($71.7)	$198.9	N.A.	$852.0	N.A.	($104.3)	($220.0)	N.A.
2000-01	$156.9	$26.1	($51.6)	$94.2	N.A.	$999.0	N.A.	($122.5)	($368.0)	N.A.

- Numbers not contained within brackets should be added to arrive at total transportation spending. Those within brackets are numbers included in the transportation number found in Chart 6.

[4] Source: Provincial Budgets 1996-2000.
[5] Source: Provincial Budgets 1996-2000.
[6] Source: Provincial Budgets 1996-2000.

Looking at the raw transportation spending it is axiomatic that Ontario and Quebec account for the majority of all spending. Meanwhile, Alberta and British Columbia spend larger proportions of their total budgets on transportation. The other provinces account for a relatively small amount of all spending.

Capital spending figures also reveal a great deal of variance between each province. About half of all spending in Newfoundland is devoted to capital, as is the case in Prince Edward Island. Ontario and New Brunswick devote more than 50% of their transportation budget on capital. In contrast, Nova Scotia, Saskatchewan and Alberta spend less than half.

Chart 8 – 1999/2000 Total Revenue and Fees as a % of Total Spending

	NFLD	PEI	NS	NB	PQ	ON	MB	SK	AB	BC
Revenues										
Taxes	$125.5	$ 33.5	$ 218.6	$ 173.0	$1,554.0	$2,810.0	$ 221.7	$ 360.0	$ 570.0	$ 823.0
Fees	52.0	11.1	57.9	72.9	679.0	923.0	68.3	110.0	189.0	$ 334.0
Total	$177.5	$ 44.5	$ 276.5	$ 245.9	$2, 233.0	$3,733.0	$ 290.0	$ 470.0	$ 759.0	$1,157.0
Spending										
Budget	$141.3	$ 66.7	$ 238.8	$131.4	$1,589.0	$ 618.0	$ 293.9	$ 236.7	$1,306.0	$1,711.7*
Capital	141.8	32.1	Inc.	196.9	Inc.	852.0	Inc.	Inc.	Inc.	Inc.
Total	$283.1	$98.8	$238.8	$328.3	$1,589.0	$1,470.0	$ 293.9	$ 236.7	$1,306.0	$1,711.7*
Percent	159 %	222 %	86 %	133 %	71 %	39 %	101 %	50 %	172 %	148 %*

- Inc. signifies that Capital Spending is included in the budget figure.
- Note to Reader: Ten year overviews of transportation spending are found in Appendix 3. It should also be noted that the transportation budget includes administration costs and commitments to other modes of transportation, funds which are diverted away for road and highway spending.
- *Note: BC Ministry of Transportation spending surged in this budget year due to $1.08 billion in debt forgiveness owed to the BC government by the British Columbia Ferry Corporation. For comparative purposes, the ratio of revenues collected to transportation spending was 65.8% in budget year 1998-99, though readers should note that that figure is a preliminary estimate subject to revision.

Fill 'er Up

There are many reasons why gasoline prices vary across the country. One essential variable comes from the ten different provincial tax rates, and more recently from the several municipal tax levies (particularly evident in British Columbia). In addition, other factors related to the oil industry itself determine the final pump price that motorists pay.

The following figures illustrate the cost breakdown of a fill-up in each of Canada's ten provinces. For comparative purposes, industry cost data (April 25, 2000) have been applied to a "fill-up" of 45 litres of regular unleaded gasoline.

Chart 9 -- Comparative Gasoline Cost Breakdown[7]

(Note: figures below may not add to total sale due to rounding errors)

Newfoundland: St. Johns

Pump Price	79.5 cents/litre
Capacity	45.0 litres
Total Sale	$35.78
Newfoundland Tax	$7.43
Federal Excise Tax	$4.50
HST	$4.65
Crude Cost	$9.99
Refining Margin	$5.18
Marketing Margin	$4.01

Taxes: $16.58 or **46.3 %** of pump price.

Prince Edward Island: Charlottetown

Pump Price	65.7 cents/litre
Capacity	45.0 litres
Total Sale	$29.57
PEI Tax	$5.40
Federal Excise Tax	$4.50
GST	$2.37
Crude Costs	$9.99
Refining Margin	$3.87
Marketing Margin	$3.42

Taxes: $12.26 or **41.4 %** of pump price.

[7] Source: CPPI, Fuel Fax, Volume 1 Issue 5, April 25, 2000.

Nova Scotia: Halifax

Pump Price	73.2 cents/litre
Capacity	45.0 litres
Total Sale	$32.94
Nova Scotia Tax	$6.08
Federal Excise Tax	$4.50
HST	$4.28
Crude Cost	$9.99
Refining Margin	$3.87
Marketing Margin	$4.19

Taxes: $14.86 or **45.1**% of pump price.

New Brunswick: Saint John

Pump Price	71.5 cents/litre
Capacity	45.0 litres
Total Sale	$32.18
New Brunswick Tax	$4.82
Federal Excise Tax	$4.50
HST	$4.18
Crude Costs	$9.99
Refining Margin	$4.10
Marketing Margin	$4.59

Taxes: $13.50 or **42.0 %** of pump price.

Quebec: Montreal

Pump Price	72.0 cents/litre
Capacity	45.0 litres
Total Sale	$32.40
Quebec Tax	$8.59
Federal Excise Tax	$4.50
GST	$2.11
Crude Cost	$10.22
Refining Margin	$3.60
Marketing Margin	$2.30

Taxes: $15.20 or **46.9 %** of pump price.

Ontario: Ottawa

Pump Price	64.8 cents/litre
Capacity	45.0 litres
Total Sale	$29.19
Ontario Tax	$6.62
Federal Excise Tax	$4.50
GST	$2.04
Crude Costs	$10.99
Refining Margin	$3.20
Marketing Margin	$1.98

Taxes: $13.16 or **45.1 %** of pump price.

Manitoba: Winnipeg

Pump Price	65.7 cents/litre
Capacity	45.0 litres
Total Sale	$29.57
Manitoba Tax	$5.18
Federal Excise Tax	$4.50
GST	$1.92
Crude Cost	$11.61
Refining Margin	$3.87
Marketing Margin	$3.60

Taxes: $11.60 or **39.2 %** of pump price.

Saskatchewan: Regina

Pump Price	70.5 cents/litre
Capacity	45.0 litres
Total Sale	$31.73
Saskatchewan Tax	$6.75
Federal Excise Tax	$4.50
GST	$2.22
Crude Costs	$10.49
Refining Margin	$3.69
Marketing Margin	$4.23

Taxes: $13.47 or **42.5 %** of pump price.

Alberta: Edmonton

Pump Price	62.1 cents/litre
Capacity	45.0 litres
Total Sale	$27.95
Alberta Tax	$4.05
Federal Excise Tax	$4.50
GST	$1.96
Crude Cost	$10.49
Refining Margin	$3.42
Marketing Margin	$3.65

Taxes: $10.51 or **37.6 %** of pump price.

British Columbia: Vancouver

Pump Price	65.3 cents/litre
Capacity	45.0 litres
Total Sale	$29.39
British Columbia Tax*	$6.75
Federal Excise Tax	$4.50
GST	$2.06
Crude Cost	$10.94
Refining Margin	$3.87
Marketing Margin	$1.40

Taxes: $13.31 or **45.3 %** of pump price.

While the tax burden varies by province, as of March 2000, the national average tax burden was 41% of the pump price.[8] During the twelve-month period prior to March 2000, the tax take at the pumps averaged 50%. Moreover, this analysis does not cost the various taxes paid at every stage of oil production from the day it is extracted from the ground until it reaches the pump.

[8] Source: M.J. Ervin and Associates, April 6th 2000. http://www.mjervin.com.

Understanding Big Oil

The analytical framework to this point has focussed on differing tax rates and their determining factor in final pump prices. What follows is a cursory overview that briefly explains the cost structure of the pre-tax pump price, namely, the gas itself.

The Canadian Petroleum Products Institute (CPPI) represents petroleum refiners, distributors and retailers. According to the CPPI prices vary for three reasons:

1) transportation and tax costs vary by region;
2) volume of sales in a particular region; and
3) the strength and presence of local competition.[9]

As with many products, a direct relationship exists between the distance goods must travel and their final cost. Outlying parts of the country have long paid higher prices for many goods. Therefore, communities furthest away from oil refineries are more likely to pay more for fuel which in turn is reflected in the pump price.

Within each province there are differences in the marketing and refiner margins between cities. These margin differences are partly determined by distance from the refinery or other urban centres and partly determined by the volume of gas sold and the strength of competition in the local market.

It should also be noted that proximity to crude oil extraction does not always result in lower refining margins. The quality of crude extracted will also be a factor in determining local market process. For instance, Prince George in British Columbia has a lower refiner's margin than Lethbridge, Alberta, even though Lethbridge is closer to several sites of crude oil extraction.

[9] Canadian Petroleum Products Institute, "From the Refinery to the Pump." Ottawa: CPPI 1999.

Consider the following scenario which points to the multiple variables at work which determine the before tax cost components of the pump product. Crude costs in Eastern Canada are lower than Western Canada – in part due to oil production in Hibernia and also due to the lower refining cost of imported crude. Higher transportation costs, paid by Eastern gasoline retailers, are offset by other savings in the downstream portion (refining) of the industry.

Fully understanding how Petroleum gets to market is a complex question. The price of crude is a function of global pricing, refining margins reflect the cost of producing petroleum products and retail margins reflect the local gasoline marketplace. The volatility of pump prices during the first five months of this year is largely due to increases in the price of crude which moved from $11 per barrel in January and peaked at $33 in March.

Explaining all the cost drivers and determinants that affect the pre-tax pump price is, no doubt, a complicated task. However, the absence of any industry-wide or retailer specific effort to do so only serves to reinforce consumer perceptions of a price-fixing conspiracy. If "big oil" does not wish to educate its customer base about the pricing structure of a litre of gas, then this lack of action will result in continued reinforcement of negative stakeholder (consumers, media, government) perceptions about the industry.

Pointing the Finger

All to often, the oil companies, refiners, distributors and retailers have been blamed for high fuel prices in Canada. Though the CTF is not an apologist for business interests, nor a consumer advocate, we find the brunt of the blame to be misplaced. Canadian gas taxes are too high which in turn contributes to higher fuel prices. Governments are the main profiteers at the gas pump, yet they have escaped the brunt of the blame for high prices.

International Evidence

International comparisons, especially those with the United States provide an instructive look at our gas tax burden relative to our major trading partner.

Chart 10 -- International Gasoline Price Comparison January 2000[10]

Country	Price ($US/litre)	Tax Excluded	Price ($CDN/litre)	Tax Excluded	Tax as a % of Price
United Kingdom	$ 1.20	$ 0.28	$ 1.79	$ 0.42	76%
France	$ 1.05	$ 0.27	$ 1.56	$ 0.40	74%
Germany	$ 0.92	$ 0.25	$ 1.37	$ 0.37	73%
Italy	$ 1.03	$ 0.32	$ 1.53	$ 0.48	69%
Spain	$ 0.76	$ 0.28	$ 1.13	$ 0.42	63%
Japan	$ 0.98	$ 0.42	$ 1.46	$ 0.63	57%
Canada	$ 0.45	$ 0.25	$ 0.67	$ 0.37	45%
United States	$ 0.34	$ 0.24	$ 0.51	$ 0.36	29%

At first glance, it looks as though Canada fares quite well when fuel taxes are assessed in isolation. However, readers must keep in mind the tax mix. For example, Canadians pay the highest personal income taxes in the G-7 and the second highest corporate income taxes. Although we place 7th out of 8 nations on the fuel tax scale, the difference between what is collected and what is put back into roads is the real issue. We also know that all of these countries, with the exception of the United States, span considerably smaller geographic land masses – therefore goods and people do not have to travel the same distances that are common in North America. This results in a lower total fuel tax contribution to the respective treasuries. According to Brian Hunt, President of the Canadian Automobile Association (CAA), he notes that:

> In those countries (Europe and Japan) they face congestion, smaller vehicles, many other issues that we don't face. … The other side is that in Europe, people work and live closer together. They haven't the choices that we have, to live as far from where they work. Public transit is much better developed. There is much more than just the price of fuel. In Japan, the transportation infrastructure is needed because you have 126 million people in four small islands. They are dealing with congestion problems that we are not.[11]

[10] International Energy Association, "Monthly Oil Market Report," January 2000.
[11] CNews, Newsmakers series, "Brian Hunt, President of the CAA discusses gas prices and tax cuts," April 10, 2000. http://www.canoe.ca/CNEWSNewsmakers/000410_hunt_tr.html

While international comparisons may be hard to draw, in the case of an analysis vis-à-vis the United States, a wealth of data is available and such a comparison is highly relevant. Especially when one considers the fact that the U.S. is not only our major trading partner but also a key competitor for business investment.

The following chart is derived from data supplied by the U.S. Tax Foundation (see Appendix III) for fiscal year 1997-98 (all figures in Canadian dollars and cents).

Chart 11 – Canada vs. United States Comparison (in C$)

Category	USA	Canada
All state/provincial fuel tax revenues	$41 billion	$6.7 billion
Average state/provincial gas tax rate	7.6 cents/litre	12.9 cents/litre
Federal revenues from motoring related charges	$36.6 billion	$4.6 billion
Direct federal spending on highways	$1.3 billion	$0.0
Federal transfers to state/provinces for highways	$26.2 billion	$0.126 billion
Total spending on highways	$159.7 billion	unknown
Total spending on transportation	unknown	$6.3 billion
Total revenues from motoring	$168.6 billion	$13.8 billion
State/provincial spending as percentage of total budget (1996-97)	8.9%	2.7%

What is most striking about these comparisons is the relative absence of good Canadian statistics concerning highway spending and motoring related revenues. Another difference to note is that the U.S. Department of Transportation is directly involved in highway construction. It is clear that most American motoring revenues find their way back to highways in the form of expenditures. Though there are more "user fees" (read: tolls) in the United States, this revenue is still returned to benefit those who pay these fees in the form of roadway spending. Finally, the forecast for fiscal year 1999-2000 indicates that spending on highways will amount to $178.6 billion while all motoring related revenues will total $151.6 billion.

Even though we collect more in tax and motoring related revenues per litre of gas sold, we know that our major competitor, through measurement of its expenditures, has a greater commitment to maintenance of highway infrastructure than Canada does.

In Search of the Conspiracy

In spite of evidence to the contrary, politicians continue to perpetuate conspiracy theories about market collusion in the gasoline refining, distribution and retailing industry. Yet every year, some level of government is commissioning yet another study to look at gasoline pricing and market competition.

In 1999, the Ontario government launched its "Gasbusters" committee comprised of MPPs to study the industry. Not to be outdone, the federal government, through Industry Canada, hired the Conference Board of Canada to do a similar investigation. In the case of the federal effort, taxpayers will be on the hook for $600,000 even though a wealth of data is available from other government departments, the petroleum industry and consumer and taxpayer advocacy groups.

Competition Bureau Findings

In 1999, the Competition Bureau of Canada investigated the gasoline refining, distributing and retailing industry for evidence of collusion. Their July 1999 survey was in response to 243 consumer complaints. Below is one of their key findings:

There is no evidence of communication among the gasoline companies to coordinate a price increase.[12]

Since 1986 the Competition Bureau of Canada has specifically acted 19 times on behalf of consumers. Of these 19 actions, 14 were investigations related to either proposed or completed transactions that were deemed to have an impact on the gasoline refining, distribution or retailing industry.

[12] Competition Bureau of Canada, "July 1999 Gasoline Price Increases: A Competition Bureau Examination Report." 1999.

The remaining five investigations led to convictions for illegal pricing practices. In the same time period the Competition Bureau has commented 17 times about competition in the industry. In each these cases they found exactly the same thing they did in July 1999, no evidence of price collusion.

Since 1986, the Competition bureau has logged 7,000 total separate complaints with respect to gas pricing, only 36 of them resulted in any action, and fewer still resulted in legal action. The Competition Bureau has found no evidence of a price-fixing conspiracy yet elected officials and misinformed commentators continue to abide by the conspiracy theory. The persistence of this false perception should be the catalyst for the oil industry to do a better job of presenting and supporting countervailing arguments.

If the Competition Bureau has yet to find large-scale evidence of price collusion, then why continue to study the issue? The answer to us is clear. Politicians believe the appearance of action on this file is all that is required to placate consumer concerns as opposed to addressing the fundamental question of over-taxation at the pumps.

Conclusion

Gas taxes account for 40% to 50% of the pump price. While fuel tax revenues and motoring related fees continue to increase, federal contributions to highway spending continue to decrease. Provincial contributions vary and the layering of transportation expenditures in various ministries (in some provinces) make it difficult to ascertain exactly how much of their gas tax revenues the provinces devote back to highway and roadway spending. The CTF will provide this information in its next gas tax report. Meanwhile, the CTF will work to bring taxpayer pressure to bear to make demands for fuel tax reductions a priority issue for the federal and provincial 2001 budgeting cycle.

Appendix I

Gasoline Tax Rates, Federal and Provincial 1971-1981[13]

Year	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Federal Excise Tax (cents/litre)					2.2	2.2	2.2	1.5	1.5	1.5	1.5
Federal Sales Tax Provincial Fuel Tax (cents/litre)	12%	12%	0.4 cents per litre	0.6cents per litre	0.6 cents per litre	0.9 cents per litre	1.1 cents per litre	1.1 cents per litre	1.1 cents per litre	9%	9%
Newfoundland	5.5	5.5	5.5	5.5	5.5	5.9	5.9	5.9	6.0	6.0	6.0
Prince Edward Island	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	6.2
Nova Scotia	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.7	4.7	4.7
New Brunswick	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Quebec	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Ontario	4.0	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.6	4.6
Manitoba	3.7	3.7	3.7	3.3	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Saskatchewan	4.2	4.2	4.2	2.6	2.6	3.3	4.2	4.2	4.2	4.2	4.2
Alberta	3.3	3.3	3.3	2.2	2.2	2.2	2.2	0.0	0.0	0.0	0.0
British Columbia	3.3	3.3	3.3	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Average Provincial	4.2	4.2	4.2	4.2	3.9	4.2	4.2	4.1	4.1	4.0	4.2
Total Fixed Tax	4.2	4.2	4.6	4.8	6.7	7.0	7.2	6.7	6.7	5.5	5.7

-- Federal Tax was charged at either the manufacturing or wholesale level. Between 1973 and 1980 this tax was charged at a fixed rate. Prior to 1975, the federal government did not charge an excise tax on fuel. **-- Average Provincial was arrived at by taking an average of all the gasoline tax for the 10 provinces. It is not a weighted average and is not completely representative of the average gasoline tax burden. - Total Fixed Tax, adds the average provincial gasoline tax with the federal excise tax. Therefore sales tax is not part of this calculation and as such it is not representative of the total gasoline tax burden.**

[13] Source: Natural Resources Canada, "Historical Gasoline Prices," http://www.nrcan.gc.ca/es/erb/od/pips/Previous.html

Gasoline Tax Rates, Federal and Provincial 1982-1992[14]

Year	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Federal Excise Tax (Cents/litre)	1.5	1.5	1.5	1.5	3.5	5.5	6.5	7.5	8.5	8.5	8.5
Federal Sales Tax Provincial Fuel Tax (cents/litre)	9%	9%	9%	10%	3.6	N.A	N.A.	N.A.	N.A.	7%	7%
Newfoundland	7.9	9.2	9.8	10.5	11.1	9.2	9.2	9.3	10.7	12.4	13.7
Prince Edward Island	8.3	9.5	9.8	10.7	10.0	8.6	8.6	8.3	9.2	13.6	11.8
Nova Scotia	4.7	8.4	8.8	9.6	10.1	8.5	8.5	8.2	9.0	13.8	12.3
New Brunswick	5.3	6.2	8.1	9.0	9.8	7.7	8.5	10.7	10.3	11.5	12.7
Quebec	13.0	15.2	11.8	12.9	12.9	13.7	14.7	14.4	14.4	10.0	14.5
Ontario	6.3	7.5	8.0	8.0	8.3	8.3	8.3	9.3	11.3	11.3	14.7
Manitoba	6.2	6.4	7.5	7.5	8.9	8.9	8.0	8.0	9.0	9.0	10.5
Saskatchewan	6.4	0.0	0.0	0.0	0.0	0.0	0.0	7.0	10.0	10.0	10.0
Alberta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.0	7.0	9.0
British Columbia	6.1	6.4	7.6	8.0	8.6	6.4	6.4	7.8	9.0	11.0	9.8
Average Provincial	6.4	6.9	7.1	7.6	8.0	7.1	7.2	9.8	11.0	11.0	11.9
Total Fixed Tax	7.9	8.4	8.6	9.1	11.5	12.6	13.7	17.3	19.5	19.5	20.4

-- Federal sales tax 1987-1989, is not documented. -- Average Provincial was arrived at by taking a average of all the gasoline tax for the 10 provinces. It is not a weighted average and is not completely representative of the average gasoline tax burden. **-- Total Fixed Tax, adds the average provincial gasoline tax with the federal excise tax. Therefore sales tax is not part of this calculation and as such it is not representative of the total gasoline tax burden.**

[14] Source: Natural Resources Canada, "Historical Gasoline Prices," http://www.nrcan.gc.ca/es/erb/od/pips/Previous.html

Gasoline Tax Rates, Federal and Provincial 1993-2000[15]

Year	1993	1994	1995	1996	1997	1998	1999	2000
Federal Excise Tax	8.5	8.5	10	10	10	10	10	10
(cents/litre)								
Federal Sales Tax	7%	7%	7%	7%	7%	7%	7%	7%
Provincial Tax (cents/litre)								
Newfoundland	15.7	15.7	16.5	16.5	16.5	16.5	16.5	16.5
Prince Edward Island	11.7	10.7	12.0	12.0	12.0	12.0	12.0	12.0
Nova Scotia	11.8	12.8	13.5	13.5	13.5	13.5	13.5	13.5
New Brunswick	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Quebec	14.5	14.5	15.2	15.2	15.2	15.2	15.2	15.2
Ontario	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7
Manitoba	10.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Saskatchewan	13.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Alberta	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
British Columbia	10.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Average Provincial	12.2	12.6	12.9	12.9	12.9	12.9	12.9	12.9
Total Fixed Tax	20.7	21.1	22.9	22.9	22.9	22.9	22.9	22.9

-- Federal GST was replaced with the Harmonized Sales tax, at 15% in the provinces of Newfoundland, Nova Scotia and New Brunswick. In Quebec, provincial sales tax of 7.5% is also part of the at pump price -- Average Provincial was arrived at by taking a average of all the gasoline tax for the 10 provinces. It is not a weighted average and is not completely representative of the average gasoline tax burden. -- Total Fixed Tax, adds the average provincial gasoline tax with the federal excise tax. Therefore sales tax is not part of this calculation and as such it is not representative of the total gasoline tax burden.

[15] Source: Natural Resources Canada, "Historical Gasoline Prices," http://www.nrcan.gc.ca/es/erb/od/pips/Previous.html