

Review of the 2009-10 Queensland State Budget

Introduction

As of 1 July 2009, Queensland is the most expensive state in which to own and operate a vehicle.

Registration increases of 17% to 22%, combined with the removal of the 8.35 cent a litre state fuel subsidy (9.2 cents including GST), have left most Queensland drivers more than \$220 a year worse off. The increased financial burden is significantly higher for rural and regional motorists, who are required to drive greater distances to access supplies and services.

The tax and fee increases on motorists in 2009-10 will net the Queensland Government an additional \$745 million a year, as shown in Figure 1:

Figure 1

State Government motoring taxes / charges : 2009-10 compared to 2008-09								
Item	Motorist charge 2008-09	Motorist charge 2009-10	\$ increase for motorists	% increase for motorists	Govt revenue 2008-09 (million)	Govt revenue 2009-10 (million)	Govt revenue increase (million)	Govt % increase
registration (average)	\$264.69	\$321.53	\$56.83	21.4%	\$1,014	\$1,237	\$223	22.0%
CTP	\$329.00	\$340.00	\$11.00	3.3%	this charge goes to the CTP provider, not to government revenue.			
traffic improvement fee	\$44.45	\$45.80	\$1.35	3.0%	transport and traffic fee revenue ¹ :			
drivers licence (5 year)	\$71.05	\$73.30	\$2.25	3.2%	\$257	\$250	-\$7	-2.7%
removal of the Queensland Fuel Subsidy Scheme		Additional 9.2 cents a litre	Dependant on fuel consumption		N/A	\$554	\$554	N/A
vehicle registration stamp duty	2% hybrid; 3% 4 cylinder; 3.5% 6 cylinder; 4% 8 cylinder	No change	\$0.00	\$0.00	\$435	\$410	-\$25	-5.7%
Net increase			\$71.43 + additional 9.2 cents a litre fuel cost				\$745.00	
¹ Transport and traffic fees: This category comprises state transport fees, the Traffic Improvement Fee, drivers' licence fees and various marine licence and registration fees.								

Disappointingly, the higher costs for motorists in 2009-10 are not matched by equivalent increases in capital road spending. In 2009-10, The State Government's commitment to capital road funding will decrease by nearly \$300 million over 2008-09, a drop of 8% (see figure 2).

The Queensland Government's 2009-10 budget of \$18.2 billion in infrastructure spending includes \$3.5 billion for roads. The State's operating deficit of \$574 million in 2008-09 is forecast to rise to a net operating deficit of \$1.95 billion in 2009-10, while both economic growth and employment will worsen in 2009-10.



Figure 2

Item	2008-09	2009-10
Economic Growth	0.5%	(0.25)%
Unemployment	4.25%	6.5%
Roads Capital Expenditure	\$3.8 billion	\$3.5 billion
Roads Maintenance Expenditure	\$0.57 billion	\$0.58 billion
Traffic Policing	\$0.32 billion	\$0.34 billion
Government Revenue	\$35.9 billion	\$37.2 billion
Government Expenditure	\$36.4 billion	\$39.2 billion
Net Operating Balance	\$(0.57) billion	\$(1.95) billion

Removal of the Queensland Fuel Subsidy Scheme

On 1 July 2009, the Queensland Fuel Subsidy Scheme was removed and the State Government increased the price of petrol and diesel by 9.2 cents a litre. This was despite calls by the RACQ, major industry groups and the general public for the fuel subsidy to remain. Prior to the state budget, more than 130,000 Queenslanders registered support on RACQ's *Fight the Fuel Tax* e-petition, making it the largest petition of any type in Queensland history.

While removal of the subsidy program has saved the State Government more than \$500 million a year, the extra 9.2 cents a litre fuel tax significantly increases motoring fuel bills. Higher fuel prices also negatively impact businesses and increase transport costs, which in turn add inflationary pressure to the prices of food and other essentials.

For more information about Queensland's fuel subsidy scheme, read RACQ's *Queensland Fuel Subsidy Scheme Fact Sheet* at:

http://www.racq.com.au/about_us/lobbying_for_road_users/costs_and_the_law

Vehicle Registration

From 1 July 2009, car owners are paying between \$45 and \$113 more for registration. This equates to increases of between 17% and 22%, once the traffic improvement fee is included. The new registration fees, both alone and incorporating the traffic improvement fee and compulsory third party (CTP) insurance, are shown in figure 3.

The traffic improvement fee increased from \$44.45 in 2008-09 to \$45.80 in 2009-10, while CTP insurance increased 3.3% from between \$326 and \$329 to between \$337 and \$340 in 2009-10.



Figure 3

Queensland registration increases 2008 - 2009												
	4 cylinders				6 cylinders				8 cylinders			
	01/07/2008	01/07/2009	\$ Increase	% Increase	01/07/2008	01/07/2009	\$ Increase	% Increase	01/07/2008	01/07/2009	\$ Increase	% Increase
registration	\$218.55	\$262.45	\$43.90	20.1%	\$335.90	\$415.60	\$79.70	23.7%	\$470.35	\$581.90	\$111.55	23.7%
registration + traffic improvement fee	\$263.00	\$308.25	\$45.25	17.2%	\$380.35	\$461.40	\$81.05	21.3%	\$514.80	\$627.70	\$112.90	21.9%
registration + traffic improvement fee + CTP ¹	\$592.00	\$648.25	\$56.25	9.5%	\$709.35	\$801.40	\$92.05	13.0%	\$843.80	\$967.70	\$123.90	14.7%

¹ The maximum CTP fee is used, including scheme levies and GST. However, the difference between the lowest and highest CTP quote is only \$3.00.

It is difficult to justify the 2009 registration increases. While the RACQ acknowledges that the State Government has a limited tax base from which to derive revenue, even before the 1 July 2009 increase Queensland registration fees were the most expensive in Australia. Despite this, in 2009-10 the State Government has imposed increases of more than 17% on motorists, or more than 20% if the traffic improvement fee is excluded. As shown in figure 4, this percentage is equivalent to the combined registration increases of the past six years (when annual increases remained closely aligned to CPI).

Figure 4

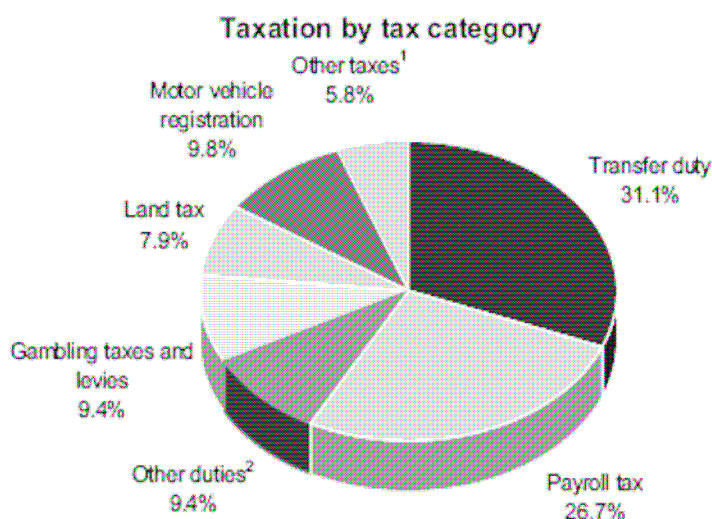
Queensland registration increases 2002-2008 compared to registration increases 2009					
No. cylinders	01/07/2002	01/07/2008	% Increase 2002-2008	01/07/2009	% Increase 2008-2009
4 cylinders	\$181.10	\$218.55	21%	\$262.45	20.1%
6 cylinders	\$278.35	\$335.90	21%	\$415.60	23.7%
8 cylinders	\$389.80	\$470.35	21%	\$581.90	23.7%

numbers exclude the traffic improvement fee and CTP charges

The increase in the government's registration tax take as a percentage of total state tax revenue is shown in figures 5 and 6. These figures highlight that motor vehicle registration has jumped from 9.8% of total tax revenue in 2008-09 to 13.3% (or \$1.2 billion) in 2009-10.

Figure 5

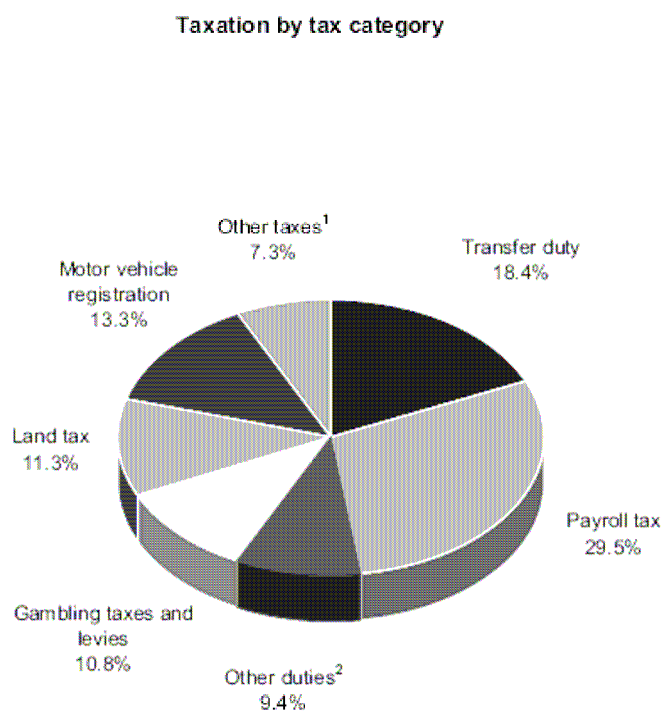
Estimated state taxation revenue 2008-09



Source: Queensland State Government: *Budget Strategy and Outlook 2008-09*, page 80

Figure 6

Estimated state taxation revenue 2009-10



Source: Queensland State Government: *Budget Strategy and Outlook 2009-10*, page 100



The Queensland Government has benefited historically from additional registration revenue, over and above budgeted amounts. Figure 6 shows that since 2005-06 motorists have delivered an additional \$134 million in vehicle registration. Unfortunately, because this money goes to consolidated revenue, there is no way of tracking whether any of this windfall revenue was used to fund road infrastructure.

Figure 6

Motor vehicle registration revenue (\$ millions)													
2005-06			2006-07			2007-08			2008-09			2005-09	
Budgeted	Actual	% Difference	Budgeted	Actual	% Difference	Budgeted	Actual	% Difference	Budgeted	Actual	% Difference	4 Year \$ Windfall	Avg 4 Year % Windfall
\$793	\$819	3.3%	\$846	\$865	2.2%	\$900	\$966	5.0%	\$991	\$1,014	2.3%	\$134	3.2%

Source: Chamber of Commerce & Industry Queensland, March 2009 : *Blueprint for Growth*; QLD Government State Budget 2009-10: *Budget Paper No. 2*

For more information about registration charges, read RACQ's *Motor Vehicle Registration fees in Queensland Fact Sheet* at: http://www.racq.com.au/about_us/lobbying_for_road_users/costs_and_theLaw

Vehicle Registration Duty

The Queensland Government charges vehicle registration duty (vehicle stamp duty) at rates of between 2% and 4% of the GST-inclusive price of a car. The Queensland stamp duty rate varies depending on the number of cylinders of the vehicle:

- 2% for hybrid vehicles
- 3% for 4 cylinder vehicles
- 3½% for 6 cylinders
- 4% for 8 or more cylinder vehicles.

As a result of the economic slow down and a decrease in vehicle sales, revenue from vehicle registration duty is expected to fall by 5.7% in 2009-10. This is in contrast to 2008-09 when vehicle registration duty increased by \$32 million, or 8%, as a result of higher charges introduced for 4, 6 and 8 cylinder cars.

Figure 7

Queensland Government vehicle registration stamp duty revenue (\$ millions)											
2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 Forecast	\$ increase 2000-01 to 2009-10	% increase 2000-01 to 2009-10
\$167	\$184	\$234	\$271	\$267	\$269	\$289	\$403	\$435	\$410	\$243	146%

Source: Chamber of Commerce & Industry Queensland, March 2009 : *Blueprint for Growth*; QLD Government State Budget 2009-10: *Budget Paper No. 2*



It is difficult to comprehend why stamp duty is applied to cars and property when it is not applicable to other purchases, such as computers or washing machines. Both the RACQ and the national motoring body, the Australian Automobile Association (AAA), have advocated for the removal of motor vehicle stamp duty.

In Queensland, stamp duty adds \$1,400 to the purchase of a \$40,000 six-cylinder car. Removing stamp duty on motor vehicles would lower purchase prices and reduce the disincentive to turn over vehicles. This would lead to a safer, more fuel-efficient vehicle fleet. It would also remove the suggestion of double taxation, as stamp duty is applied to the GST inclusive price of cars.

Transport and Traffic Fees

The Queensland state budget category, transport and traffic fees, consists of revenue from state transport fees, the traffic improvement fee, drivers' licence fees and various marine licence and registration fees.

The traffic improvement fee, which is paid at the time of registration renewal, increased by 3% to \$45.80 in 2009-10. The cost of a five-year licence is also higher as of 1 July 2009, having increased by \$2.25 to \$73.30.

The Department of Transport and Main Roads has allocated \$43.1 million in its 2009-10 budget towards modernising Queensland's licensing system. This will involve the introduction of digital smartcard licences in Queensland, designed to significantly reduce identity fraud and improve licensing administration efficiency.

Queensland Motorways Limited

The planned sale of Queensland Motorways Limited (QML) for \$3 billion was announced prior to the budget. QML will be privatised by 2011-12 as part of a broader assets sale that includes:

- Forestry Plantations Queensland
- Port of Brisbane Corporation
- Queensland Rail's above and below rail coal businesses
- Ports Corporation of Queensland's Abbot Point Coal Terminal.

The Queensland Government says it hopes to raise \$15 billion from the sale of these assets, and avoid \$12 billion in future capital investment.

The privatisation of QML may result in significant cost increases for motorists who use the Gateway and Logan toll roads. Given that Queensland Motorways generated \$161.2 million in toll revenue last financial year, with an operational cash flow of \$27 million and \$3 billion in debt, it is likely that the State Government will seek to increase tolls and improve QML's capital structure prior to a sale. While the Government has said that toll increases after the sale would be linked to CPI, this does not preclude the State Government introducing substantial increases when it



sets the toll price at the time of sale. The RACQ will oppose any such increases in tolls.

In 2009-10 QML will spend \$43.6 million finalising the implementation of free-flow, or cashless tolling, on the Gateway and Logan Motorways. The automatic tolling system replaces cash toll booths and tolls are charged using either **go viatag** technology (previously E toll) or video tolling systems, which include **go via** video accounts and **go via** video passes.

For more information about free-flow tolling, read RACQ's *Go Via and Free-Flow Tolling on the Gateway and Logan Motorways Fact Sheet* at: http://www.racq.com.au/about_us/lobbying_for_road_users/traffic_and_roads.

Road Funding

The 2009-10 budget papers highlight the State Government's commitment to managing urban traffic growth and congestion, and delivering a roads program that recognises Queensland's ongoing population growth¹.

The 2009-10 budget allocates \$3.5 billion to road capital expenditure, a decrease of 8% over 2008-09, and \$577 million expenditure on road maintenance, an increase of 1% over 2008-09.

The Queensland Government 2009-10 budget has committed funding to ongoing projects including the Gateway upgrade, Pacific Motorway interchange upgrades, the Townsville Port Access Road, the Houghton Highway duplication, and the Bundaberg Ring Road. Funding has also been provided to start upgrading the Warrego Highway, the Douglas Arterial duplication of the Townsville Ring Road and realigning the Bruce Highway at Cardwell Range. Along with Federal Government funding, the State Government will also contribute to the upgrade of the Cooroy to Curra section of the Bruce Highway.

Road Safety

The RACQ welcomes the increased focus on road safety outlined in the 2009-10 state budget.

New funding of \$47 million will be provided for road safety initiatives that include increasing the number of fixed speed cameras in Queensland; a police trial of new technologies such as automatic number plate recognition, mobile livescan and in-car cameras; and employing an additional 53 specialist traffic officers. A further \$28.3 million has been allocated to install boom gates and complete the upgrade to 74 priority level crossings on the rail network.

¹ Queensland State Budget 2009-10, *Department of Transport and Main Roads Agency Budget Highlights*



An additional \$15 million has been allocated to the Safer Roads Sooner (SRS) program, taking the total program funding to \$66 million in the 2009-10 budget. The SRS program targets road improvements at high severity crash sites.

Greater emphasis on road safety is essential if Queensland is to meet its commitment to the National Road Safety Strategy Target. The National Road Safety Strategy Target aims to reduce the number of road fatalities per 100,000 population by 40% between 1999 to 2010. In Queensland, this means reaching a target of no more than 5.3 road fatalities per 100,000 population by 2010.

The Queensland road fatality rate in 2008-09 was 7.86 per 100,000 population, which was higher than the 2008-09 target of 7.75. The same objective, 7.75, has also been set for 2009-10, which means the government is not forecasting any reduction over the previous year's target. This makes reaching the National Road Safety Strategy Target look increasingly unachievable.

Congestion

The Queensland Government will allocate funding of \$12 million in 2009-10 (and a further \$24 million between 2010-2012), to address urban congestion on arterial roads under its Urban Congestion Initiative. The initiatives include:

- \$5.7 million to trial a real-time passenger information service for public transport on the Sunshine Coast
- \$9.5 million to purchase and operate five articulated passenger buses for the south-east busway, with each bus capable of transporting up to 180 passengers
- \$10.5 million to establish and maintain additional park and ride facilities in south-east Queensland
- \$4.3 million for priority bus route measures, including indented bays to reduce disruption to traffic
- \$2.5 million for end of trip facilities including 900 bicycle parking spaces with shower facilities.

In addition, the government is providing \$1.2 million for greater police officer coordination in the Metropolitan Traffic Management Centre, in order to improve accident response and clearance times.

The economic, social and environmental costs of congestion are well documented, and while the RACQ welcomes the Urban Congestion Initiative, it is unlikely to have a significant impact on worsening traffic congestion in south-east Queensland. To combat congestion, the RACQ considers that a range of measures are required and governments must:

- fund greater investment in the road and rail network
- integrate land use and transport planning
- improve traffic management systems
- implement behaviour change and education programs



- change flawed policies such as the vehicle fringe benefits tax that encourages additional travel, and toll roads that prevent the network from operating efficiently.

The RACQ supports inner-city congestion or cordon charging as an effective and equitable way to reduce urban traffic congestion. Such a scheme should include non-tolled bypass opportunities and public transport improvements, to ensure consumers have reasonable alternatives to paying the charge.

Public Transport Subsidies

Public transport subsidies in south-east Queensland will increase \$29 million (3.5%) from \$822 million in 2008-09 to \$851 million in 2009-10.

Public transport accounts for less than 10% of all trips, and while RACQ supports the provision of quality public transport, the dichotomy is that motorists and other taxpayers subsidise those who are fortunate enough to have access to convenient public transport. Under the public transport subsidy program, taxpayers fund 75%² of the cost of public transport fares. The subsidy benefits households with access to convenient public transport, however, it does nothing for the vast majority of rural and outer-suburban families who rely on their cars for work travel and access to goods and services.

Transport Emissions

The 2009-10 budget papers reveal that the government is not planning a reduction in road transport greenhouse gas emissions in 2009-10, compared to the actual level of emissions in 2008-09. This is disappointing given the reduction claimed in 2008-09 compared to the original target of 405,000 tonnes, CO₂ equivalent per 100,000 population (see figure 7 below).

It is a concern, however, that the Queensland Government is basing its emissions estimates on 2006 data from the Australian Greenhouse Office. This makes the accuracy of the budget figures questionable.

Figure 7

Queensland road transport greenhouse gas emissions			
Output: road use management	2008–09 target/est.	2008–09 est. actual	2009–10 target/est.
Road transport greenhouse gas emissions (1,000 tonnes, CO ₂ eq) per 100,000 population	405	388	388
Source: Queensland State Government State Budget 2009-10: <i>Service Delivery Statements Department of Transport and Main Roads</i>			

² Transport Minister Rachel Nolan has reportedly said that “for every dollar that a customer pays in fares, the state government pays three” Courier Mail, 9 June 2009: *Runaway train bill*



The RACQ recognises the adverse effects of greenhouse gas emissions and agrees the environmental impact of cars must be reduced. The Club is developing an EcoDrive program to assist its members to drive more fuel efficiently while reducing emissions and costs.

Using EcoDriving techniques, every motorist can take action to reduce greenhouse gas emissions, without compromising their mobility or needing to buy a new car. RACQ research suggests EcoDrive programs are relatively inexpensive and could reduce vehicle emissions by an average 10% - roughly comparable to the reduction achieved by doubling the use of public transport.

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