

## RACQ review of the Queensland State Budget - 3 June 2008

### Introduction

The Queensland Government's 2008-09 budget includes infrastructure spending of \$17 billion on roads, water, education, housing and health. Of this, nearly \$7 billion is allocated to transport, including roads.

The State's budget deficit position of \$995 million 2007-08 is forecast to recover next year to a net operating surplus of \$809 million, while both economic growth and employment will continue to better the national average.

	2007/08		2008/09
Economic Growth	3.75%	↑	4.25%
Unemployment	3.75%		3.75%
Roads Capital Expenditure	\$3.0 billion	↑	\$3.2 billion
Traffic Management	\$289 million	↑	\$314 million
Government Revenue	\$32.3 billion	↑	\$36.6 billion
Government Expenditure	\$33.3 billion	↑	\$35.8 billion
Net Operating Balance	\$(1) billion	↑	\$.8 billion

### RACQ Comment

*The RACQ was pleased to see continued funding for the Queensland Fuel Subsidy Scheme, as well as increased capital road expenditure. Given the current and future growth of Queensland's population, investing in new roads and road upgrades is important for future economic growth. In its departmental budget overview, the Department of Main Roads recognises roads as the backbone of Queensland's economy and total State Government spending - capital and operating - will increase by approximately \$360 million on the current financial year, an increase of 12%.*

*Road capital expenditure, specifically, will increase 6%. While the RACQ welcomes this increased investment in roads, we question whether this level is sufficient to meet growing demand. According to the Government's own figures, interstate migration will boost Queensland's population by nearly 100,000 over the next year.*

*Construction costs associated with building roads have increased steadily over the past few years, and will rise by at least 6% over the coming year. In light of these additional costs, a 6% increase in capital road expenditure does not allow for any real growth in output over 2007-08.*

*Given Queensland's rising population and existing infrastructure bottlenecks, the RACQ believes greater investment is warranted. Queensland State Revenue will increase by 13% next year, and it is a reasonable expectation that capital road investment could have been increased by a similar amount.*

*The Budget highlights congestion management as a key priority for next year and aims to tackle urban traffic growth through both infrastructure and non-infrastructure solutions.*

*Further budget implications for RACQ members and Queensland's motoring public are outlined below.*

## Queensland Fuel Subsidy Scheme

The cost to the State Government of its Fuel Subsidy Scheme is expected to rise from \$555 million this year to \$572 million in 2008-09. From next year, Queensland motorists will be required to swipe a bar code on their driver's licence at the point of sale to receive the 8.354 cents a litre subsidy. This change follows the finding of last year's Queensland Government Pincus Inquiry that around two cents of the 8.354 cents subsidy was not flowing through to motorists.

### RACQ Comment

*The RACQ welcomes moves by the Queensland Government to ensure that the full benefit of the subsidy is passed on to Queensland motorists. This is particularly critical in light of current high fuel prices.*

*A number of issues have yet to be resolved. These include:*

- who will be eligible for the subsidy (it is proposed only Queensland licence holders)*
- the impact on tourism, trucking and other industries*
- what information will be gathered at point of sale and associated privacy questions*
- the costs of the scheme.*

*The RACQ will endeavour to work with government to resolve these issues before the scheme is introduced early 2009.*

## Road Safety

An increase of \$134 million will take the total Queensland police budget to \$1.57 billion. Along with new police stations and upgrades, this will provide for 200 extra police officers, and more speed and red light cameras.

The total traffic management portion will increase by 8.5% to \$314 million in 2008-09 and over the coming year, \$15.3 million will be spent to deliver 70,080 hours of mobile and fixed speed cameras and red light cameras. A further \$6.9 million will be spent on providing 72,000 officer hours for on-road enforcement.

### RACQ Comment

*The funding increase should allow for a greater police presence on our roads. This, along with efforts to construct and maintain safer roads, can work to reduce the State's road toll.*

## Road Funding

\$3.24 billion (an increase of 6% over 2007-08) has been allocated to road capital expenditure, with 40% (\$1.3 billion) budgeted outside south east Queensland.

Total funding for the Department of Main Roads will increase by 12%, and the budget includes expenditure of \$461 million on roads maintenance.

State funding will contribute to ongoing projects including the Gateway Bridge duplication, Caloundra Road upgrade, and Townsville and Bundaberg Ring Roads. Government funds will also go to widening the Ipswich Motorway, completing the new Hospital Bridge in Mackay, the Sunshine Motorway Upgrade, and highway improvements in the Bowen Basin region.

### RACQ Comment

Maintaining and improving the condition of roads addresses transport costs, efficiency and safety. The State Government acknowledges its state-controlled road network to be its largest built community asset and the increase of 7% on road maintenance spending is welcomed.

Road improvement programs announced in the Budget will assist, but the spending on new roads and upgrades in the coming financial year does not represent an increase when construction costs and population growth are considered.

## **Congestion**

Aside from investment in road and public transport, the Government announced \$40 million over four years toward a congestion management strategy designed to encourage walking, cycling and public transport. Included in this figure is \$22 million to roll out the TravelSmart program. TravelSmart initiatives encourage people to minimise car use and make better use of public transport, cycling, walking or car pooling.

### RACQ Comment

*Traffic congestion in the south east and parts of regional Queensland is worsening. Congestion reduces productivity, hinders economic growth and greatly increases fuel consumption and vehicle emissions.*

*The RACQ welcomes the Queensland Government's commitment to tackle urban congestion by investing in road infrastructure, public transport and demand management strategies. However, we continue to be concerned that the provision of new bypass roads through toll financing will reduce their effectiveness as congestion management measures.*

## **Motor Vehicle Taxes and Charges**

Increased revenue from motoring fees and charges are detailed below:

	<b>2007/08</b>	<b>2008/09</b>	<b>% change</b>
Vehicle Registration Duty	\$380 million ▲	\$518 million	36%
Motor Vehicle Registration	\$945 million ▲	\$991 million	4.8%
Transport and Traffic Fees	\$230 million ▲	\$241 million	4.8%

### **Vehicle Registration Duty**

Revenue from vehicle registration duty will increase by 36% over the next year, largely as a result of a new rate regime introduced five months ago. Prior to January 2008, stamp duty was administered at a standard rate of 2%. This has now been replaced with a sliding scale that increases with the number of engine cylinders. The duty percentage for hybrid vehicles remains at 2%, but increases to 3% for a 4-cylinder car, 3.5% for 6-cylinders and 4% for 8-cylinders.

### RACQ Comment

*In 2008-09, the new vehicle registration charges will net the Government around \$119 million in additional revenue. Although the Government described this change as an environmental initiative, its major impact is to increase revenue. Removing the duty percentage altogether on hybrid and electric vehicles would be a more appropriate incentive.*

## **Vehicle Registration**

From 1 July 2008 vehicle registration charges will increase by nearly 5%. For a 4-cylinder vehicle, the annual registration fee will increase from \$208.55 to \$218.55.

### *RACQ Comment*

*Registration costs increase with the number of vehicle cylinders. There is potential to improve the system of registration charges, by assessing it based on fuel efficiency or power, as this is a far more accurate measure of fuel use and emissions.*

## **Transport and Traffic Fees**

Transport and Traffic Fees consists of revenue from state transport fees, the traffic improvement fee, drivers licence fees and marine licence and registration fees.

From 1 July 2008 the Traffic Improvement Fee will increase 4.7% to \$44.45 and the cost of a five-year licence will increase from \$67.80 to \$71.05.

### *RACQ Comment*

*Along with compulsory third party insurance, the Traffic Improvement fee is paid at the time of registration renewal. This fixed annual fee is an obvious candidate for removal under the proposed Federal Government review of taxation in Australia.*