

RACQ 2011-2012 Federal Government Budget Review

This review of the Australian Government's 2011-12 Budget considers issues relevant to Queensland motorists.

With regard to the Government's proposed carbon price, neither operational information nor carbon-related revenue estimates were provided in the Budget.

Australian Government Land Transport Infrastructure Funding for Queensland

In 2011-12, the Federal Government will provide \$1,195.4 million to fund land transport infrastructure in Queensland. This is made up of:

- \$890 million investment in Queensland national highways and freight routes
- \$83.8 million for roads that don't form part of the national network
- \$17.1 million for the Black Spot program
- \$71.2 million for Roads to Recovery
- \$5.6 million for heavy vehicle safety
- \$92.7 million in Untied Local Road Grants
- \$35 million for Regional Infrastructure Fund road projects.

With the exception of the Regional Infrastructure Fund and Untied Local Road Grants, the federal spending outlined above comes under the Nation Building Program. Funding allocated to Queensland for 2011-12 is compared to last year in Table 1 below:

Table 1: Federal funding for Queensland land transport

2011-12 Budget (this year)

	Road Investment \$m	Black Spot Projects \$m	Off-Network Projects \$m	Heavy Vehicle Safety and Productivity \$m	Roads to Recovery \$m	Untied Local Road Grants \$m	Regional Infrastructure Fund \$m	Total 2011-12 \$m
QLD	890.0	17.1 ¹	83.8	5.6 ²	71.2	92.7	35.0	1195.4

Source: Budget Paper No. 3, Australia's Federal Relations 2011-12, pp.80-83

2010-11 Budget (last year)

	Road Investment \$m	Black Spot Projects \$m	Off-Network Projects \$m	Heavy Vehicle Safety and Productivity \$m	Roads to Recovery \$m	Untied Local Road Grants \$m		Total 2010-11 \$m
QLD	945.5 ³	12.1	65.3	4.5	71.2	119.3 ⁴		1217.8

Source: Australian Government Department of Infrastructure and Transport, Land Transport Funding Allocations Consolidated 2010-11

¹ The \$17.1 million Black Spot allocation includes an estimated \$5.022 million under-spend from 2010-11. Funding for the Black Spot program in 2011-12 effectively remains the same as 2010-11, at \$12.1 million.

² The Heavy Vehicle Safety allocation of \$5.6 million includes carry-over of a 2010-11 underspend.

³ \$405.8 million of the 2010-11 Budget allocation was brought forward into 2009-10 (\$14 million for the Douglas Arterial Road and \$391.8 million for the Ipswich Motorway, Dinmore-Goodna).

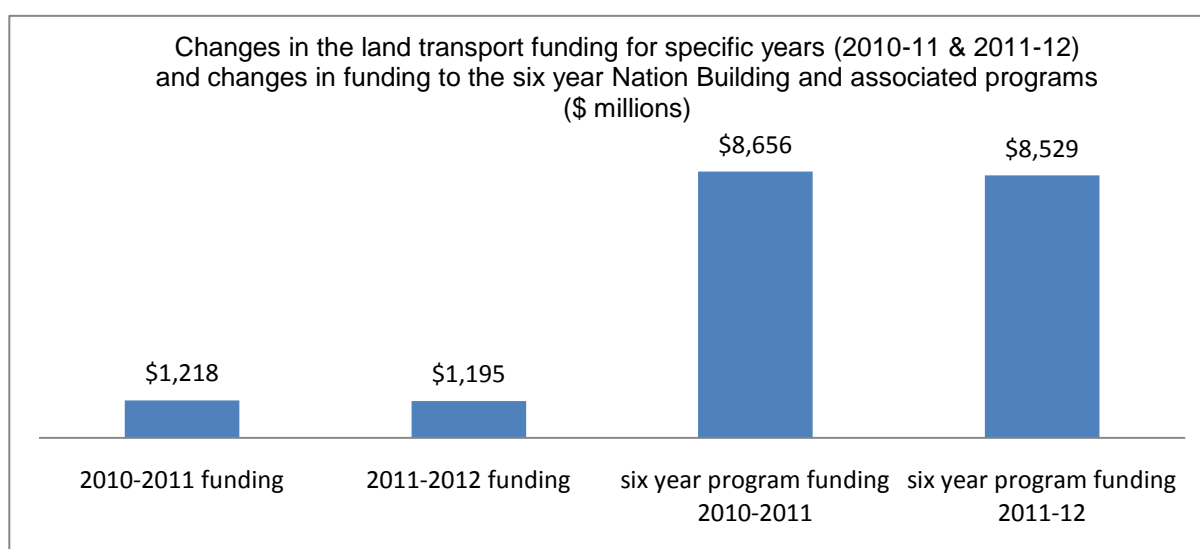
⁴ Some of the 2010-11 allocation may have been brought forward and spent in 2009-10.



Funding for 2011-12 in Table 1 is \$22.4 million less than 2010-11, however, simply looking at two years in isolation does not reveal the entire funding picture. The Nation Building Program runs for a six year period, from 2008-09 to 2013-14, and funding for projects is often shuffled from one financial year to the next. This makes it necessary to analyse the Nation Building Program in its entirety.

The 2011-12 Federal Budget has decreased expenditure on Queensland roads and rail over the six year term of the Nation Building Program. Total land transport funding between 2008-09 and 2013-14 is down from \$8.6 billion allocated in the 2010-11 Budget to \$8.5 billion allocated in 2011-12 Budget. This is illustrated in Figure 1:

Figure 1: Changes in land transport funding for Queensland



One of the Infrastructure and Transport ministerial Budget media releases said that the Government was providing \$335 million in new funding (over the six-year life of the current Nation Building Program), to take total transport-related infrastructure investment in Queensland to \$8.5 billion.⁵ Unfortunately, Minister Albanese failed to mention that this was less than the amount allocated in last year's Federal Budget for the same six year period.

Under the 2011-12 Federal Budget, Queensland loses \$127 million in transport funding over the six year period, 2008-09 to 2013-14. In last year's 2010-11 Federal Budget, the Government was investing \$8,656 million in Queensland transport infrastructure for the 2008-09 to 2013-14 period. This year, the amount for the same six year period has dropped to \$8,529 million.

The calculated \$127 million loss in Federal land transport funding for Queensland takes into account the "new funding" provided under the Regional Infrastructure Fund. Under the newly-established Regional Infrastructure Fund (RIF), Queensland will receive \$35 million for regional road projects in 2011-12. Following this, an extra \$168 million will be provided between 2012 and 2014, to take the total RIF funding for Queensland to \$203 million over the 2008-09 to 2013-14 period.

⁵ *QLD Continues to Benefit from Record Investment* Media Release 10 May 2011, The Honourable Anthony Albanese MP, Minister for Infrastructure and Transport.



Without the RIF injection, budgeted road and rail funding for Queensland would have dropped by \$330.1 million over the period 2008-09 to 2013-14. And it still might! Funding for the RIF is contingent upon the passage of the Minerals Resource Rent Tax.

The next five year Nation Building program (Nation Building 2) begins in 2014-15. The Government has not yet announced any details of the program.

RACQ comment

The Australian Government's 2011-12 Budget has left Queensland \$127 million worse off over the six year term of the Nation Building Program.

Australian Government Funding for Specific Queensland Road Projects

The Government is funding the following 2010 election commitments from its new Regional Infrastructure Fund:

- \$160 million to complete the section of the Townsville Ring Road which will link the Douglas Arterial to the Bruce Highway at Mt Low
- \$120 million for a package of works to improve safety on Peak Downs Highway
- \$54 million to upgrade the Blacksoil Interchange at the intersection between the Warrego and Brisbane Valley Highways
- \$50 million to complete the final two stages of the Gladstone Port Access Road, which will extend this road from Glenlyon Street to Red Rover Road
- \$40 million to upgrade the intersection of the Bruce and Capricorn Highways
- \$10 million for the Mackay Ring Road Study.

The funding for these roads is referred to in Minister Albanese's media release⁶ as "new funding allocated in the 2011-12 Budget". However, the projects outlined above were previously committed to in 2010, so it is arguable whether they actually constitute new spending on new road projects.

In addition, funding for these projects is not guaranteed. The money for these road improvements will come from the Regional Infrastructure Fund. The Fund will comprise \$6 billion, most of which (\$5.6 billion) is money contingent upon the passage of the Minerals Resource Rent Tax. The Government pledged to return revenue from the tax back into regional mining communities.

RACQ comment

The decision to fund election-commitment road projects from the Regional Infrastructure Fund is welcomed, but it is far too little and the spending is not guaranteed until legislation enacting the Minerals Resource Rent Tax is passed. Queensland needs significantly more in the way of additional infrastructure investment to support the major mining projects that are delivering economic growth.

⁶ QLD Continues to Benefit from Record Investment Media Release 10 May 2011, The Honourable Anthony Albanese MP, Minister for Infrastructure and Transport.



Funding for five Bruce Highway projects (worth \$285 million), which were to be deferred, have now been reinstated:

- \$75 million to for the duplication of Vantassel Street to Flinders Highway
- \$40 million to realign and raise the Bruce Highway from Sandy Corner to Collinsons Lagoon
- \$20 million for Burdekin Road Safety Projects
- \$64.7 million for Cabbage Tree Creek to Carman Road
- \$85.7 million for the Caboolture to Caloundra upgrade.

The Federal Budget papers also explained that work would begin on the following projects during the 2011-12 financial year:

- Realigning and widening the Bruce Highway through Cairns' southern suburbs between Ray Jones Drive and Sheehy Road (Federal Contribution: \$150 million)
- Upgrading the intersection between Mains and Kessels Roads in the Brisbane suburb of Macgregor (Federal contribution: \$300 million).

The Budget allocated \$50 million in 2011-12 to the Northern Link toll tunnel (Legacy Way) and committed \$12.1 million (in addition to a \$5.022 million carry-over from 2010-11) to address 44 dangerous Black Spots on local Queensland roads. The Government also allocated \$5.6 million for rest stops and other Queensland roadside facilities used by truck drivers (see Table 1). This \$5.6 million includes some carry-over of underspending from 2010-11.

Payments for Queensland interstate road transport is \$7.7 million in 2011-12, up from \$6.5 million in 2010-11. Under the Interstate Road Transport Act, the Commonwealth provides funding equal to total revenue received from heavy vehicle registrations made under the Federal Interstate Registration Scheme for each respective State.

RACQ comment

The Budget reinstated and confirmed funding for current flood immunity improvements such as the Isis River Bridge and Sandy Corner to Collinsons Lagoon projects, which should improve the reliability of the Bruce Highway. Unfortunately, no additional funding was announced to flood-proof Queensland's land transport network.

Extensive work is required to give a more comprehensive view of all flood events, and significantly greater funding is needed to flood-proof Queensland's land transport network. Without urgent work to flood-proof roads and rail, communities, tourism and heavy vehicles will continue to be impacted by floods. The cost to flood-proof the Bruce Highway is estimated to be \$5.3 billion, with \$1.3 billion needed for the Brisbane to Gympie section alone. Since 2009, the Bruce Highway has been closed 530 times because of flooding.

RACQ welcomes the continued funding to eliminate dangerous Black Spots on local roads in 2011-12. Nonetheless, there were 249 deaths on the State's roads last year and more needs to be done to prevent these fatalities and improve road conditions.



Australian Government Disaster Recovery Funding

The Federal Government estimates that the 2011 floods and Cyclone Yasi will cost the Australian economy \$9 billion in lost output and reduce real GDP growth by 0.5% in 2010-11.

The Government is providing \$6.6 billion over six years to support recovery efforts.⁷ This includes funding to not only Queensland, but also Victoria and other States for recovery from recent natural disasters. Of the total estimated expenditure, \$3.9 billion will fall in 2010-11. This significant up-front funding is the result of an advance Federal Government payment to Queensland of over \$2 billion in 2010-11.

The \$6.6 billion in Commonwealth recovery funding is additional to the infrastructure spending documented elsewhere in this report, and is made up of:

- \$5.4 billion to the States and Territories under the Natural Disaster Relief and Recovery Arrangements (NDRRA), to rebuild public infrastructure like roads, bridges, schools and public buildings⁸
- \$213 million in assistance to Queensland local governments
- \$718 million in Disaster Relief payments to individuals affected by the floods in Queensland and other states⁹
- \$320 million in assistance to individuals affected by Cyclone Yasi.

In addition, The Government has pledged donations totalling \$14.1 million to the Queensland Premier's Disaster Relief Appeal and is providing \$6 million towards a Queensland Tourism Industry Support Package.

The Budget funding outlined above includes support to all States and Territories from recent natural disasters. However, \$5.65 billion, or 85 percent of the \$6.6 billion in funding, is going to Queensland.

\$4.7 billion is being provided to help those affected by the Queensland floods (this includes \$206 million to help local governments restore utilities and transport infrastructure), and \$950 million is supporting areas affected by Cyclone Yasi.

Most of the Federal Government disaster relief funding under the NDRRA is being utilised within *Operation Queenslander*, the largest recovery program ever undertaken in Queensland. The results of *Operation Queenslander*, as at 4 May 2011, are shown in Table 2 below:

⁷ Funding will occur over a six year period because rebuilding infrastructure won't be completed until 2013-14 and the Commonwealth's reimbursement of the States' costs normally occurs a year or two following reconstruction activities. Historically there have been lags in payments following significant natural disasters. For Tropical Cyclone Larry, which occurred in March 2006, the Commonwealth made payments to Queensland to fund reconstruction through to the 2009-10 financial year.

⁸ Under the NDRRA, the Commonwealth Government provides 75 percent of reconstruction funds and the State Government contributes 25 percent.

⁹ Payments to individuals are \$1,000 per eligible adult and \$400 per eligible child. More than 700,000 of these payments have been made as at 29 April 2011. Disaster Income Recovery Subsidies are also being paid to provide income support to eligible employees, small business and primary producers in the worst affected areas in Queensland.



Table 2: Operation Queensland results as at 4 May 2011

Then (peak impact figures)	Now (data as at 4 May)
9,170 km of state roads damaged	6,627 km of state roads recovered
4,748 km of state rail network damaged	4,421 km of rail network reopened
89 bridges and culverts with major damage	64 bridges and culverts with major damage have been recovered
480,000 approximate residents and business properties without power	2,067 residents and business properties currently still without power
411 schools affected	410 schools operating from original location
103 water supply schemes disrupted or impacted	103 water supply schemes operating within approved regulatory standards

Source: Operation Queensland Newsletter Issue 2, May 2011

The results in Table 2 do not reflect the recently-announced \$300 million for road repairs in Mackay and surrounding areas. Under the largest NDRRA package in Queensland, 257 kilometres of flood damaged roads in the Mackay and Whitsunday regions will be repaired, including the:

- Bruce Highway, 27 sites across 38kms of road works - at a cost of \$42.3million
- Peak Downs Highway, 31 sites across 46km between Nebo and Clermont - \$38.5million
- Bowen Developmental Road, 17 sites across 24.08km, including just east of Collinsville - \$26.4million
- Fitzroy Developmental Road, 16 sites across 14.8km including south of the Golden Mile Road intersection - \$14million
- Suttor Developmental Road, 16 sites across 18.36km - \$24.3million
- Marlborough Sarina Road, five sites across 19.54km - \$22.3million
- Mackay-Eungella Road, 11 sites across 13.32km - \$13.9million
- Gregory Developmental Road, three sites across 14.32km - \$12million.

Specific assistance to Queensland local governments

The Government is contributing \$213.6 million to help Queensland's local councils recover from the floods and Tropical Cyclone Yasi.

The funding includes:

- \$109.1 million in additional funding for the Brisbane City Council
- \$60 million to assist in the repair and rebuilding of public utilities
- \$7.5 million to restore local government marine infrastructure in the Cassowary Coast region
- \$37 million to help rural and regional councils cover the cost of workers necessary for the recovery, repair and rebuilding of local infrastructure.

Flood and cyclone reconstruction levy

The Government will introduce a temporary flood and cyclone reconstruction levy from 1 July 2011 to contribute to the cost of rebuilding flood and cyclone affected regions. This measure will apply only for the 2011-12 income year and will increase Government revenue by \$1.7 billion.



The levy will affect those taxpayers with a taxable income in 2011-12 of \$50,001 or more. Taxpayers with taxable income between \$50,001 and \$100,000 will pay 0.5% of their taxable income above \$50,000. Taxpayers with taxable income over \$100,000 will pay 0.5% of their taxable income between \$50,001 and \$100,000 and 1% of their taxable income over \$100,000.

RACQ comment

The Federal Government's decision to provide advance disaster relief funding of \$2 billion in 2010-11 is welcome.

As repairs progress throughout Queensland, roads will be rebuilt to modern engineering standards and as a result will be safer, wider and more resilient. However, RACQ remains concerned that substantially greater investment is needed to flood proof Queensland roads and ensure that major traffic and freight routes don't continue to be cut by floods.

Australian Government National Transport Investment

In 2011-12, Federal spending on land transport will total \$5.6 billion. Funding for roads will be increased to \$4.5 billion in 2011-12, up from \$3 billion in 2010-11. Rail funding will be \$1.1 billion in 2011-12, more than double the \$0.5 billion allocation for 2010-11.

Table 3 compares the road funding allocation outlined in the 2011-12 Budget with last year's Federal Budget statement. In both cases, the Budget allocations for the four year period, 2010-11 to 2013-14, total \$15 billion.

Table 3: Australian Government national road transport funding

2011-12 Budget (this year)

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	Total 2010-11 to 2013-14 \$m
Road Transport	2,999*	4,521	4,300	3,552	3,881	15,372

Note: * Budget Papers state "Most road and rail funding in 2014-15, which is currently classified under the road transport sub-function, is from the allocation in the Contingency Reserve for the second 3,881 tranche of the Nation Building program (NB2) and will be reclassified between the road and rail transport sub-functions as programs of work are determined."

Source: Budget Paper No.1 2011-12, Statement 6, Expenses and Net Capital Investment, p. 6-40.

2010-11 Budget (last year)

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	Total 2010-11 to 2013-14 \$m
Road Transport	5,047**	2,981	4,162	4,656	3,638	15,437

Note: ** Budget Papers state "[m]ost road and rail funding from 2009-10 is currently classified under the road transport sub-function and will be reclassified between the road and rail sub-functions as programs of work are determined".

Source: Budget Paper No.1 2010-11, Statement 6, Expenses and Net Capital Investment, p. 6-37.

Most of the road transport funding for 2011-12 is accounted for in Table 4 below. This table compares the road funding outlined in the 2011-12 Budget to last year's Budget statement.



Table 4: Payments by the Australian Government to support State road infrastructure

2011-12 Budget (this year)

	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
Nation-Building Program					
Road Investment	1,807.7	2,913.9	2,743.0	2,788.9	176.3
Black spot projects	50.4	74.5	59.5	59.5	
Off-network projects	165.4	153.7	134.1	129.7	
Off-network supplementary projects	25.1	16.7			
Improving the national network	49.2	7			
Heavy vehicle safety and productivity	16	28			
Improving local roads	1				
Roads to recovery	349.8	349.8	349.8	349.8	
Nation Building Plan for the Future					
Major City Roads	0				
Building Australia Fund Roads	432	848	890	41	

Source: Budget Paper No. 3, Australia's Federal Relations 2011-12, p.74

2010-11 Budget (last year)

	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
Nation-Building Program					
Road Investment	3,727.5	1,896.5	2,803.8	2,966.2	2,798.7
Black spot projects	119.5	59.5	59.5	59.5	59.5
Off-network projects	280.2	225.4	187.8	136.3	108.3
Off-network supplementary projects	138.3				
Improving the national network	247.1				
Heavy vehicle safety and productivity	20.0	20.0	20.0		
Improving local roads	5.1				
Roads to recovery	349.8	349.8	349.8	349.8	349.8
Nation Building Plan for the Future					
Major City Roads	5.0	27.1	28.9		
Building Australia Fund Roads		312.0	615.0	1,055.0	229.0

Source: Budget Paper No. 3, Australia's Federal Relations 2010-11, p.86



Australian Government National Road Safety Funding

\$350 million was provided nationally for 2011-12 Roads to Recovery funding (the same amount as last year), and \$74.5 million in Black Spot program funding was allocated in 2011-12. This allocation includes carry-over funding from 2010-11 and consequently Black Spot funding drops back to \$59.5 million in 2012-13 and 2013-14.

The Government has allocated \$5 million in 2011-12 for the keys2drive program. Funding for this program will cease in 2012-13.

The Budget did not include any funding allocations in support of the AAA's national safety programs: ANCAP or AusRAP.

RACQ comment

There was no announcement of any major new funding for road safety programs. This is particularly disappointing given that 2011 marks the start of the Decade of Action on Road Safety.

Rail Funding

Commonwealth funding for rail will be \$1.1 billion in 2011-12, up from \$0.5 billion in 2010-11. The 2011-12 Budget confirmed that funding of \$133 million would be brought forward for the Moreton Bay Rail Link.

RACQ comment

RACQ welcomes earlier funding of the Moreton Bay Rail Link, but was disappointed there was no additional allocation for Cross River Rail.¹⁰

Fuel Excise and Fuel Tax Credit Scheme

The 2011-12 Budget Papers show the Government continuing its formal monitoring of petrol prices, at a cost of \$2 million over the next two years.

The rate of excise on petrol and diesel is unchanged at 38.143 cents per litre (which it has been since March 2001). This is not a surprise given that in its response to the Henry Tax Review, the Government ruled out the re-introduction of CPI indexation of fuel excise.

In 2011-12 petroleum excise will total \$17.2 billion. Of this, \$13.5 billion comes from petrol and diesel excise (of \$5.9 billion and \$7.6 billion respectively), and the remainder (\$3.7 billion) primarily from aviation fuel and crude oil excise. In the last decade, the Government tax-take from fuel excise has risen nearly 30 percent, from \$13.3 billion in 2002-03 to \$17.2 billion in 2011-12.

The Fuel Tax Credit Scheme provides a rebate for fuel excise when fuel is used for business activities, machinery, equipment and heavy vehicles (over 4.5 tonnes gross vehicle mass).

¹⁰ According to the 2011-12 Budget schedule, the total Federal commitment of \$20 million towards the *Brisbane Inner City Rail Feasibility Study* (Cross River Rail) was paid out in 2008-09.



The cost of the Fuel Tax Credit Scheme is expected to increase from \$5 billion in 2010-11 to \$5.1 billion in 2011-12.

RACQ comment

Fuel excise paid in 2011-12 will total \$13.5 billion. Motorists are entitled to expect a larger share of these funds to be spent on roads and transport. In terms of Federal road spending, an amount equivalent to one third of the \$13.5 billion in fuel excise will be spent on roads in 2011-12. The percentage of fuel excise being returned to transport increases to 41 percent if Federal rail spending is included.

Ethanol and Alternative Fuels

The Ethanol Production Grants Program, which offsets the 38.143 cents per litre excise on ethanol via a production grant to Australian ethanol producers, was originally planned to end 30 June 2011. However, the Budget extended this program until 30 November 2011. The 2011-12 Budget Papers also explained that the schedule to start taxing LPG, biodiesel and compressed natural gas (CNG) would be similarly delayed and no longer come into effect on July 2011.

Two days after the Budget was handed down, the Government tabled legislation amending the fuel excise arrangements for ethanol and alternative fuels. The Taxation of Alternative Fuels Legislation Amendment Bill proposed:

- A 10 year moratorium on changes to the taxation and grant arrangements for ethanol, biodiesel, renewable diesel and methanol.
- To start taxing LPG, LNG and CNG from 1 December 2011.

This will add \$518.5 million to Budget revenue over the forward estimates period (2011-12 to 2014-15).

Under the proposed legislation, ethanol, biodiesel and renewable diesel will effectively be excise-free for 10 years (as excise will be charged but then credited back to producers) and methanol will retain its untaxed status. The exception is imported ethanol, which will incur the 38.143 cents per litre excise.

The legislation will also introduce a tax on LPG, LNG and CNG, which up until now have not been subject to fuel tax. From 1 December 2011 these fuels will be taxed at a rate that represents a 50 percent discount to regular petrol on an energy-equivalent basis. The excise on these fuels will phase in over five years to July 2015 and rates during the transitional period are shown below in Table 5:



Table 5: Rate of excise and excise-equivalent customs duty for LPG, LNG and CNG during the transitional period (cents per litre)

Fuel	1 Dec 2011 to 30 June 2012	2012-13	2013-14	2014-15	From 1 July 2015 Final rate
LPG	2.5	5.0	7.5	10.0	12.5
LNG	5.22	10.45	15.67	20.9	26.13
CNG	5.22	10.45	15.67	20.9	26.13

Under the Taxation of Alternative Fuels Legislation Amendment Bill, fuel tax credits will apply to LPG, LNG and CNG used for off-road purposes but not for heavy vehicle use, because the road-user charge will exceed the rate of duty payable.

RACQ comment

RACQ welcomes the 10-year excise exemption for biofuels, including ethanol as it provides an opportunity for a domestic production industry to develop.

LPG users will be hit with a tax for the first time in December 2011 which will flow through to transport and taxi costs. However, given the LPG excise will start at 2.5 cents a litre, the initial impact will be minimal.

It would have made more sense to delay the Alternative Fuels legislation until after the details of a carbon price are finalised.

LPG Conversion Program

The Government will cap the number of grants under the Liquefied Petroleum Gas (LPG) Vehicle Scheme to 25,000 claims per annum for the remaining three years of the program. The cap will commence on 1 July 2011 and will provide savings of \$96 million to be redirected to the Government's contribution towards rebuilding natural disaster affected regions.

The size of the grant for an LPG conversion in 2011-12 will fall from \$1,500 to \$1,250. In 2012-13 the grant amount will drop to \$1,000, where it will remain until June 2014 when the conversion program ends.

New private vehicles fitted with an LPG unit prior to first registration, will receive a \$2,000 grant until the scheme finishes in June 2014.

Fringe Benefits Tax (FBT)

The Government will save \$954 million over 5 years with changes to the statutory formula method for determining the taxable value of vehicle fringe benefits.

The sliding scale of statutory FBT rates (that decrease as the distance driven increases), will be replaced by a single rate of 20 percent. This will apply to new contracts entered into after May 10, 2011 and will be phased in over four years (see Table 6 below). Cars held before the Budget will not be affected.



Introduction of the single 20 percent FBT rate will mainly affect those with work-related vehicles who drive 25,000 kilometres or more each year. For these drivers, the statutory FBT percentage will increase from either 11 percent or 7 percent to the new flat rate of 20 percent.

Table 6: Statutory Vehicle FBT percentages effective 10 May 2011

Statutory Rate					
Distance travelled during the FBT year (1 April - 31 March)	Existing contracts	New contracts entered into after 10 May 2011			
		Rate from May 10 2011	Rate from April 1 2012	Rate from April 1 2013	Rate from April 1 2014
0 - 14,9999 km	0.26	0.20	0.20	0.20	0.20
15,000 km to 24,999 km	0.20	0.20	0.20	0.20	0.20
25,000 - 40,000 km	0.11	0.14	0.17	0.20	0.20
More than 40,000 km	0.07	0.10	0.13	0.17	0.20

RACQ comment

The RACQ welcomes this reform. A single fixed FBT percentage removes the incentive for additional driving and supports Government aims to reduce greenhouse emissions. RACQ called for FBT reform in its Henry Tax Review submission and advocated for a single fixed statutory percentage.

Luxury Car Tax (LCT)

Revenue from the Luxury Car Tax will increase to \$510 million in 2011-12 from \$500 million in 2010-11.

The 33 percent LCT is levied on most cars priced above \$57,466 (certain fuel efficient cars are excluded). There is no mention in the 2011-12 Budget papers of increasing the LCT threshold, so it is likely to remain unchanged at \$57,466.

RACQ comment

RACQ is disappointed that the Government is persisting with the Luxury Car Tax, despite the recommendation to remove this tax in the Henry Tax Review.

By adding an additional tax to cars priced above \$57,466, the Government reduces the opportunity to upgrade the Australian vehicle fleet with better, safer cars. In addition, because the LCT is not levied on other items like watches, jewellery, boats or aircraft, it contravenes the fundamental efficiency principle that taxes should be neutral in their effect and applied to comparable assets equally.

At the very least, the LCT threshold of \$57,466 should have been adjusted for inflation and revised up. Instead, through 'bracket creep' the Government will grow its LCT revenue as more and more vehicle types reach the "luxury" threshold each year.



Tariffs on Passenger Motor Vehicles

The tariff on passenger motor vehicles fell from 10 per cent to 5 per cent from the beginning of 2010. Revenue from tariffs on passenger motor vehicles is expected to remain consistent with last year at \$780 million.

Australian Government Assistance to the Automotive Industry

The Government has cancelled the Green Car Innovation Fund, a Budget saving of \$601 million, and it won't proceed with the Cleaner Car Rebate Scheme (which would have cost \$430 million over the forward estimates). These savings will be used to meet the costs of supporting individuals, businesses and local communities affected by natural disasters in 2010-11 to recover and rebuild.

From 2012-13, small business will be able to immediately write off the first \$5000 of any car bought. This will cost the Government an estimated \$200 million in its first year of implementation. (Note that the Henry Tax Review recommended lifting the threshold to \$10,000 for immediate tax write offs for small business asset purchases).

Congestion Reduction

\$100 million was allocated for suburban employment hubs and \$61 million for managed motorways.

Funding for smart-managed motorways is a new spending measure taken in the 2011-12 Budget and in Queensland, the Gateway Motorway (Nudgee to Bruce Highway) project has been identified.

The Commonwealth will provide money for smart infrastructure technologies to reduce congestion and improve both traffic demand management and the overall efficiency of the transport network in major cities. Managed motorways integrate data collection sensors and control tools to improve real time management of motorways to secure a higher and more consistent level of motorway performance.

The suburban employment hub program will aim to boost employment precincts and manufacturing hubs close to residential areas in order to promote decentralisation and create secondary-CBD type areas.

RACQ comment

RACQ welcomes Federal investment in managed motorways and the development of suburban employment hubs. However the Federal Government needs to do more and should play a major role in addressing urban congestion.

Promoting Greater Private Investment in Infrastructure

Infrastructure Australia

Funding for Infrastructure Australia (IA) will increase almost 40 percent to \$36 million over four years. The funding boost will allow IA to produce an enhanced list of priority infrastructure projects, focussing on projects worth more than \$100 million or those with national significance. As



part of this process, IA will update its analysis of infrastructure priorities against the priorities it identified in the 2008 audit and provide greater transparency by publishing their assessments of project cost-benefits.

A schedule will also be developed to provide information on major infrastructure construction across all levels of government, while federal, state and territory governments will work together to manage forecasting and patronage risk on projects such as toll roads.

The Federal Government is hoping that the development of a major infrastructure construction schedule, along with the introduction of new tax incentives, will restore private investor confidence in infrastructure projects.

Tax Incentives

The Federal Budget announced some major tax concessions to encourage private investment in major infrastructure projects. Tax laws will be changed so that any project losses can be transferred to the next owner if the project is sold off. This means that the new owner of a road or railway will be able to claim a write off for the losses incurred before the purchase.

In addition, the new owner would be able to increase the value of the losses at the government bond rate. This recognises the fact that often these projects take a very long time before they generate a profit and that it's important to stop the value of the tax write-off being eaten away by inflation.

The new tax treatment will only be applicable to privately-funded infrastructure projects that are deemed to be of national significance. The Government will work out selection criteria for these projects.

RACQ comment

The new tax treatment for privately funded infrastructure projects should help reduce the current uneasiness about investing in infrastructure.

The RACQ welcomes greater funding for IA and future public cost-benefit analyses. This should improve transparency and ensure the best projects get supported i.e. those returning the greatest dividends to the community and economy.

RACQ hopes the renewed consideration of priority infrastructure projects by Infrastructure Australia will result in the funding of projects with demonstrated benefits rather than those in marginal electorates.

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