

## RACQ 2010-11 Queensland State Budget Review

### Introduction

The Queensland State Budget was handed down on 8 June 2010.

The announcements provide only limited relief for motorists, principally through legislated changes to be implemented within the compulsory CTP insurance scheme, aimed at reducing premiums by an estimated \$24<sup>1</sup>. This change is not expected to come into effect until 1 October 2010.

The CTP reduction contrasts with Budget increases in motor vehicle registration fees and traffic improvement fees, both of which increase by 3% from 1 July 2010 consistent with the policy of indexing these fees to the Brisbane CPI.

These increases follow on from more substantial increases in motor vehicle registration fees in the budget last year (between 17% and 22%) and the withdrawal of the Queensland fuel subsidy (9.2cpl incl GST).

Additionally, from next year Queensland motorists will be paying higher prices for motor vehicle driver's licences and higher tolls under the State Government-controlled Queensland Motorways Limited roads network. Both the changes, while not announced as part of the Budget, are discussed later in this paper.

The escalation in motoring costs is not being matched by increases in capital road spending. In 2010-11, the State Government's commitment to road funding will again decrease from \$3.508 billion down to \$3.276 billion – a fall of \$232 million or 6.6%.

In the past two years, during which the Government withdrew the fuel subsidy, increased motor vehicle registration fees, increased tolls and put up the driver's licence fee, the capital works budget for road expenditure has fallen by **more than half a billion dollars** (\$554 million).

Queensland remains the most expensive state in which to own and operate a private motor vehicle.

**Table 1 Queensland State Budget Overview.**

Item	2008-09	2009-10	2010-11
Economic Growth	1.4%	3%	3.75%
Unemployment	4.4%	5.75%	5.5%
Roads Capital Expenditure	\$3.83 billion	\$3.50 billion	\$3.276
Government Revenue	\$37.0 billion	\$39.69 billion	\$40.60 billion
Government Expenditure	\$36.94 billion	\$39.97 billion	\$42.35 billion
Net Operating Balance	\$35 million	\$(287) million	\$(1.745) billion

<sup>1</sup> Savings for Queensland motorists in this year's Budget. Press Release by the Hon Andrew Fraser MP Treasurer 8 June 2010

## Vehicle registration

From 1 July 2010, car owners will be paying between \$9.20 and \$18.80 more to register their vehicle. The increase of 3% comes as the Government implements its commitment in to index both vehicle registration and the associated traffic improvement fee to the Brisbane CPI. The change means that depending on the size of your car, the variable registration (dependent on number of cylinders) and the traffic improvement fee charged by the State Government will range from \$317.45 to \$646.50.

The decision to institute indexation, while shielding motorists from substantive one-off fee increases as occurred last year, virtually assures that motorists will be subject to annual increases in the motor vehicle registration charges.

As of 1 July 2010 it will cost the average motorist \$812.20 to register a six-cylinder family sedan in Queensland.

Table 2 profiles motor vehicle registration charges effective from 1 July 2010 and then from 1 October 2010. The table includes compulsory third party insurance (CTP), which is levied as part of motor vehicle registration.

CTP premiums, payable to private insurance providers, fell by \$10 for the quarter commencing 1 July 2010 and it is proposed that they will fall a further \$24 following changes to legislation to be implemented as part of this Budget, from 1 October 2010.

The Government is yet to fully detail the necessary legislative reforms, other than the announcement that trailing commissions paid to motor traders and other agents by CTP insurers would be outlawed.

## State revenues 2010-11

The Queensland Government has benefited historically from additional motor vehicle registration revenue, over and above budgeted amounts.

The 'natural' growth of registration revenue is driven largely by population growth into Queensland – ensuring revenues from this charge will rise. The decision to index the motor vehicle registration fee to the CPI is an impost designed to reap further revenue from motorists. As shown in the Table 3 below, revenue from motor vehicle registration continually exceeds Budget estimates and, over the past four years, has delivered a windfall gain of \$158 million to the Queensland bottom line. Total registration revenue now exceeds \$1.2 billion per annum.

**Table 2 Queensland Registrations – 1 July 2010 and Proposed from 1 October 2010**

Queensland registration increases 2009 - 2010																		
	4 cylinders						6 cylinders						8 cylinders					
	2009	2010 (Jul)	\$	%	2010 (Oct)	\$	2009	2010 (Jul)	\$	%	2010 (Oct)	\$	2009	2010 (Jul)	\$	%	2010 (Oct)	\$
registration	\$262.45	<b>\$270.30</b>	\$7.85	3.0%	<b>\$270.30</b>	\$0.00	\$415.60	<b>\$428.05</b>	\$12.45	3.0%	<b>\$428.05</b>	\$0.00	\$581.90	<b>\$599.35</b>	\$17.45	3.0%	<b>\$599.35</b>	\$0.00
registration + traffic improvement fee 2	\$308.25	<b>\$317.45</b>	\$9.20	3.0%	<b>\$317.45</b>	\$0.00	\$461.40	<b>\$475.20</b>	\$13.80	3.0%	<b>\$475.20</b>	\$0.00	\$627.70	<b>\$646.50</b>	\$18.80	3.0%	<b>\$646.50</b>	\$0.00
registration + traffic improvement fee + CTP 1	\$655.25	<b>\$654.45</b>	-\$0.80	0.1%	<b>\$630.45</b>	-\$24.00	\$808.40	<b>\$812.20</b>	\$3.80	0.5%	<b>\$788.20</b>	-\$24.00	\$974.70	<b>\$983.50</b>	\$8.80	0.9%	<b>\$959.50</b>	-\$24.00

1. At present all CTP insurers are quoting the same price. Also note in 29 June 2010 CTP will fall \$10 compared to previous Qtr.
1. The Gov is proposing changes to legislation to bring about a further \$24 fall in CTP by Oct 2010
2. Traffic improvement fee increases from \$45.80 to \$47.15 from 1 July 2010 (3% inc \$1.35)

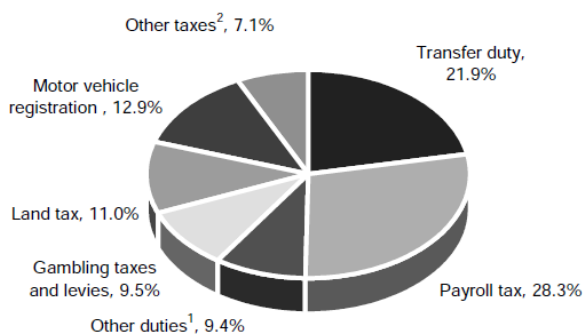
**Table 3 Motor Vehicle Registration Revenue 2005-2010**

Motor Vehicle Registration Revenue (\$ millions)																
2005-06			2006-07			2007-08			2008-09			2009-10			5 Year \$mill Windfall	Avg 5 Year % Windfall
Budgeted	Actual	% Difference	Budgeted	Actual	% Difference	Budgeted	Actual	% Difference	Budgeted	Actual	% Difference	Budgeted	Actual	% Difference		
\$793	\$819	3.3%	\$846	\$865	2.2%	\$900	\$966	5.0%	\$991	\$1,014	2.3%	\$1,237	\$1,261	1.9%	\$158	3.0%

Source: Chamber of Commerce & Industry Queensland, March 2009 : *Blueprint for Growth*; QLD Government State Budget 2009-10: *Budget Paper No. 2*; QLD Government State Budget 2010-11: *Budget Paper No. 2*

## Chart 4 Queensland Government Tax Revenue by Category

Chart 4.4  
Taxation by tax category



Source: Queensland State Government: *Budget Strategy and Outlook 2010-11*, page 70

The Government's registration tax take as a percentage of total state tax revenue is shown in the chart above. These figures highlight that motor vehicle registration is now around 13% of government revenues in 2010-11 and is one of the highest single tax takes administered by the state.

### 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.

Despite predictions of a slowdown in these revenues due to economic circumstances, revenue from this category remains sound.

Last year actual collections were \$445 million (up 2.7%) and in this Budget the Government continues to forecast growth on the back of improved economic conditions, increases in vehicle transfers and population growth.

Revenue from the duty is forecast to rise from \$445 million to \$467 million in 2010-11, an increase of 5%.

Both the RACQ and the national motoring body, the Australian Automobile Association (AAA), have advocated for the removal of motor vehicle stamp duty.

### Transport and Traffic Fees

The Queensland Budget category, *Transport and Traffic Fees*, consists of revenue from state transport fees, the traffic improvement fee, driver's licence fees and various marine licence and registration fees.

The Government expects these revenues to rise by 8% to \$272 million in 2010-11.

The traffic improvement fee, paid at the time of registration renewal, increased by 3% to \$47.15 (up \$1.35) in 2010-11 consistent with the indexation policy.

### **Queensland Motorways Limited tolls**

Queensland Motorways Ltd is a government-owned company, which operates the the Gateway Bridge and the Logan Motorway toll roads.

Earlier this year the State Government announced tolls on both these roads would be increased from 1 July 2010.

The tolling regime varies depending on the size and type of vehicle and the differing infrastructure; but, by way of example, the toll on the Gateway Bridge will increase from \$2.95 to \$3.85. The Government argues these increases are justifiable through the retrospective provision of CPI indexation and to fund the Gateway Upgrade South and the Port of Brisbane motorway.

Increased revenues from the tolls go to Queensland Motorways.

The Government has identified Queensland Motorways as one of the five assets it will privatise. The first of these sales, Forestry Plantations Queensland was completed earlier this year and the Budget papers note the sales program rolling out over the coming 12 months.

RACQ has argued against the privatisation of Queensland Motorways Ltd. For further information go to:

[http://www.racq.com.au/motoring/advocacy\\_for\\_motorists/news\\_and\\_media](http://www.racq.com.au/motoring/advocacy_for_motorists/news_and_media)

### **Road funding**

The 2010-11 Budget papers outline the State Government's commitment to managing urban traffic growth and congestion, and delivering a roads program that recognises Queensland's ongoing population growth.<sup>2</sup>

The Budget allocates \$3.276 billion to road capital expenditure, a decrease of 6.4% over 2009-10. This is the second year in a row that the allocation for road funding has fallen.

New or major road funding initiatives for 2010-11 include:

- Ipswich Motorway - \$550 m
- Cooroy Curra - \$288m
- Airport Roundabout Brisbane - \$95.8m
- Capricorn Hwy at Gracemere - \$6 m
- Eidsvold to Theodore - \$10m
- Mackay Slade Pt Rd - \$37.5 m
- Centenary Hwy Darra - \$117m
- Blackall Emmet -\$1m

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<sup>2</sup> Queensland State Budget 2010-11, *Department of Transport and Main Roads Agency Budget Highlights*

- Seventeen Miles Rock Rd - \$1.3m

## Road safety

The RACQ welcomes the increased focus on road safety outlined for 2010-11 through the *Safer Roads Sooner* program. This program is a package targetted to address black spots on the State road network.

The program will include 74 new *Targeted Road Safety Initiatives*, addressing areas where there have been fatalities or serious injury and 23 proactive projects to improve intersections, roadsides, provide signage, traffic signals and seal lengths of unsealed road in rural areas.

The Government will provide \$66 million in 2010-11 for new initiatives including a specific allocation of \$4 million to target motorcycle safety.

The National Road Safety Strategy Target aims to reduce the number of road fatalities per 100,000 of 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 of population by 2010.

The Queensland road fatality rate in 2009 was 7.54 per 100,000 of population, the lowest the state has recorded, but still well above that estimated to meet the national strategy.

A target fatality rate for 2010-11 is yet to be set but will be lower than that recorded for 2009-10. While fatality rates have previously been set for calendar years, the Budget reveals these targets will now be set and recorded for financial years.

## New 'hi tech' driver's licence

From 2011 the Queensland Government will start the staged roll-out of a new Queensland driver's licence incorporating biometric data and anti-fraud provisions through microchip technology.

Motorists will bear the development costs through an increase in the price of a driver's licence from \$73.30 to \$96.05 (an increase of 31%) to come into effect in 2011.

The new system will require an investment in the necessary technology, to be rolled out across the state over five years, commencing in 2009-10.

The total cost of the five-year program is \$216.9 million, including capital cost of \$35.5 m.

Beyond next year the cost of a driver's licence will progressively increase to \$152.50 by 2014-15.

The new licence is expected to generate increases in revenues of \$15.717 million in the first year, rising to \$65.3 by 2013-14.

## Public transport subsidies

Public transport subsidies in south-east Queensland will increase \$11.8 million (1.2%) from \$980.95 million in 2009-10 to \$992.7 million in 2010-11.

Public transport accounts for less than 10% of all trips. RACQ supports the provision of quality public transport. However, the subsidies (funded by motorists and other tax-payers) mainly benefit households with access to convenient public transport, doing 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. Under the public transport subsidy program, taxpayers fund 75% of the cost of public transport fares, with the Government targeting a fall in subsidy to 70% in the next five years.<sup>3</sup>

## Transport emissions

The Budget papers reveal that road transport greenhouse gas emissions fell below the target in of 388 (tonnes per Co2 equivalent) in 2009-10, the actual figure being 385. The budget figures also reveal that in 2010-11 the government is not targeting any further reduction.

However, it is a concern 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.

**Table 5 Queensland Road Transport Greenhouse Gas Emissions**

Output: Road Use Management	2009–10 Est	2009–10 Actual.	2010-11 Est/Target
Road Transport greenhouse gas emissions (1,000 tonnes, CO2 eq) per 100,000 population	388	385	3.85 CO2 Eq tonnes p/capita

Source: Queensland State Government State Budget 2010-11: *Service Delivery Statements Department of Transport and Main Roads*

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<sup>3</sup> Transport Minister Rachel Nolan quoted Courier Mail 15 June 2010: *Taxpayers' share of rail fares increases, while CityTrain passengers continue to decline*