RACQ 2011-2012 Queensland State Budget Comment

Introduction

The 2011 State Budget will result in Queensland motorists paying more for vehicle registration, licence and traffic fees, and getting less than previous years in State capital investment for roads.

In 2011-12, the State Government will take about $2 billion from motorists in registration and other motoring charges, and return it to road infrastructure. Combined with Federal Government funding of $1.38 billion, this will take road capital expenditure to $3.35 billion in 2011-12.1 The $3.35 billion total includes $883 million in disaster relief funding to repair roads damaged by Queensland’s 2011 floods and cyclones.2

In 2011-12, the State Government will receive a large Federal contribution to road funding under the Natural Disaster Relief and Recovery Arrangements (NDRRA). The RACQ wanted the State Government to treat this as additional funding (over and above the ‘business as usual’ amount) to repair flood and cyclone damaged roads. However, the State Government has kept road infrastructure spending close to 2010-11 levels and reduced its own contribution to upgrading Queensland roads, as shown in Chart 1 below:

Chart 1: Queensland Government capital road expenditure 2006-07 to 2011-12


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1 In 2011-12 Federal Government capital funding for roads will include $722 million for grants, Nation Building and Regional Infrastructure Fund projects, and 75% of the $883 million in disaster relief funding to repair roads damaged by Queensland’s 2011 flood and cyclone events ($662 million). Source: Queensland State Budget 2011-12, Budget Strategy and Outlook 2011-12 p142; Advice to RACQ provided by the Department of Transport and Main Roads.

2 Capital Expenditure figures used in this report reconcile to the Government’s published amount of $5.4 billion for transport and road infrastructure in 2011-12. Refer to the Queensland State Budget 2011-12 Department of Transport and Main Roads Agency Budget Highlights.
The $3.35 billion is a substantial investment in Queensland’s roads, representing 22.4% of the Government’s 2011-12 capital outlay ($14.95 billion). In nominal terms, the amount is slightly more than the allocation of $3.28 billion in last year’s Budget. In real terms, however, 2011-12 spending does not represent an increase over 2010-11. Just as registration and other motoring taxes have been raised to accommodate inflation in 2011-12, so, too, road funding should be increased. Applying a CPI increase of 3.6% to last year’s road infrastructure budget would take the amount to $3.4 billion. This is slightly more than the current road budget allocation of $3.35 billion.

Although the per capita road spend for Queensland is higher than other states, the 2011-12 State Budget has not delivered the additional road investment needed to maintain productivity and accommodate Queensland’s population growth. Minimal funding for new road projects or major new road upgrades has been provided. The majority of capital funding will go to road projects previously committed or already underway, or to repairing flood damaged roads. In addition, the Government will spend $438.8 million on road maintenance and day-to-day operations.3

Roads damaged by Queensland’s recent natural disasters 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. Since 2009, the Bruce Highway has been closed 530 times because of flooding.

Queensland motorists will contribute about $2 billion to State tax revenue from motoring-related taxes and charges in 2011-12, and the State Government will provide a comparable amount for capital investment in the road system.

Chart 2: State Government motoring taxation revenue and State Government contribution to capital road spending 2011-12

The Queensland Government tax take from motorists continues to grow. Motor vehicle registration fees and traffic improvement fees will increase by CPI of 3.6% from 1 July 2011. This is despite the Government recognising that higher transport costs, including fuel, will be a key driver of inflation over the next year.

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3 Advice to RACQ provided by the Department of Transport and Main Roads
Over the past three years, registration fees have increased between 23.6% and 28.6%. By comparison, the level of State Government spending on roads has fallen. It appears that the State Government is using motorists as an easy source of revenue.

In 2010, the Queensland Government lowered the cost of Compulsory Third Party (CTP) premiums by $24. While this is a welcome reprieve from otherwise escalating motoring costs, Queensland remains the most expensive state in which to own and operate a private motor vehicle.

Table 1: Queensland State Budget Overview

<table>
<thead>
<tr>
<th>Item</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>3%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>5.75%</td>
<td>5.5%</td>
<td>5%</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.7%</td>
<td>3.25%</td>
<td>3%</td>
</tr>
<tr>
<td>Roads Capital Expenditure</td>
<td>$3.5 billion</td>
<td>$3.28 billion</td>
<td>$3.35 billion&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Government Revenue</td>
<td>$39.73 billion</td>
<td>$41.18 billion</td>
<td>$43.01 billion</td>
</tr>
<tr>
<td>Government Expenditure</td>
<td>$39.79 billion</td>
<td>$43.31 billion</td>
<td>$47.07 billion</td>
</tr>
<tr>
<td>Net Operating Balance</td>
<td>$(56) million</td>
<td>$(2.13) billion</td>
<td>$(4.06) billion</td>
</tr>
</tbody>
</table>

<sup>1</sup> $883 million of this is disaster recovery funding to repair roads damaged by the 2011 floods and cyclone Yasi.

Vehicle Registration

From 1 July 2011, vehicle registration and the associated traffic improvement fee will increase by the CPI amount of 3.6%. When CTP insurance is included, the total bill for registering a vehicle will fall marginally in 2011-12. In October 2010, the Queensland Government introduced legislative changes that lowered the cost of CTP premiums by $24. This has not reduced State revenue, because CTP payments go to insurance companies, not the Government. The figures in Table 2 below start from April 2011, subsequent to the CTP reduction.

In 2011, it will cost the average motorist $805.30 to register a six-cylinder family sedan in Queensland. The motor vehicle registration charges effective from 1 July 2011 are shown in Table 2. The table includes CTP because it is levied as part of motor vehicle registration.

Table 2: Queensland vehicle registration costs from 1 July 2011

<table>
<thead>
<tr>
<th></th>
<th>April 2011</th>
<th>July 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration</td>
<td>$270.30</td>
<td>$280.05</td>
</tr>
<tr>
<td>Registration + Traffic Improvement Fee (1)</td>
<td>$317.45</td>
<td>$328.90</td>
</tr>
<tr>
<td>Total, including CTP (2)</td>
<td>$630.45</td>
<td>$641.90</td>
</tr>
</tbody>
</table>

(1) The traffic improvement fee increases from $47.15 to $48.85 from 1 July 2011
(2) The Queensland Government reduced Compulsory Third Party (CTP) Insurance by $24 in October 2010. Most CTP providers are quoting CTP of $313 in 2011.
Registration fees have increased between 23.6% and 28.6% over the past three years. A state comparison of registration costs shows that Queensland is the most expensive state in which to register a private vehicle.

### Table 3: Australian Total Registration Bill Amount by State 2010-11

<table>
<thead>
<tr>
<th></th>
<th>QLD</th>
<th>NSW</th>
<th>VIC</th>
<th>WA</th>
<th>SA</th>
<th>TAS</th>
<th>NT</th>
<th>ACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small car</td>
<td>$630.45</td>
<td>$716.16</td>
<td>$624.10</td>
<td>$493.03</td>
<td>$683.00</td>
<td>$541.55</td>
<td>$553.40</td>
<td>$748.90</td>
</tr>
<tr>
<td>Medium car</td>
<td>$788.20</td>
<td>$763.16</td>
<td>$624.10</td>
<td>$558.90</td>
<td>$789.00</td>
<td>$585.55</td>
<td>$616.40</td>
<td>$781.10</td>
</tr>
<tr>
<td>Large car</td>
<td>$959.50</td>
<td>$897.16</td>
<td>$624.10</td>
<td>$569.79</td>
<td>$883.00</td>
<td>$609.55</td>
<td>$635.40</td>
<td>$906.30</td>
</tr>
</tbody>
</table>

Registration costs are accurate as at June 2011. It was not possible to compare 2011-12 registration costs as not all states have published their increases.

- Small car is defined as a 4 cylinder 2 litre car weighing approximately 1,100kg.
- Medium car is defined as a 6 cylinder 3.5 litre car weighing approximately 1,500kg.
- Large car is defined as an 8 cylinder 5 litre car weighing 1,800kg.

This analysis includes all registration, CTP and related annual fees. These are the 2010-11 full prices for private use, not including concessions available to some motorists.

### Motoring Related State Revenues 2011-2012

The Queensland Government tax take from motorists continues to grow. This is despite the Government recognising that higher transport costs, particularly fuel, will be a key driver of inflation over the next year.⁴

In 2011-12, Queensland Government revenue from motor vehicle registration will grow by 4%, from $1.32 billion to $1.37 billion. This growth is the result of CPI increases and population growth.

The growth in State Government registration revenue is illustrated in Chart 3 below. Over the past three years (2008-09 to 2010-11) Queensland motorists have contributed $3.6 billion in registration tax revenue. Over the next three years, this amount will increase nearly 20% to $4.3 billion.

### Chart 3: Queensland Government Vehicle Registration Revenue 2000 – 2014 $ millions (excludes traffic and transport fees and CTP)

Source: Historical QLD Government State Budget Papers (back to 2002); QLD Government State Budget 2011-12: Budget Paper No. 2 Budget Strategy and Outlook p216

The Government’s registration tax take as a percentage of total state tax revenue is shown in Chart 4 below. These figures highlight that motor vehicle registration is 13% of Government revenue in 2011-12 and is one the highest single tax takes administered by the State.

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⁴ Queensland State Budget 2011-12, Budget Strategy and Outlook 2011-12 p46
Vehicle Registration (Stamp) 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
- 3.5% for 6 cylinders
- 4% for 8 or more cylinder vehicles.

Last year, revenue was $440 million (up 10.6%) and in the 2011-12 Budget the Government is forecasting 5% growth. This is the result of population growth and increased car sales. Revenue from the duty is forecast to rise to $462 million in 2011-12.

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

Stamp duty involves large compliance costs and is a tax inconsistently levied on a narrow base. This results in a net loss of economic value and adds to the ‘efficiency cost’ of taxation. For example, stamp duty is applied to cars and property, but not to the purchase of computers or washing machines.

In Queensland, stamp duty adds $1,400 to the purchase of a $40,000 six-cylinder car. Removing stamp duty on motor vehicles would reduce purchase prices and reduce the disincentive to turn over vehicles. This would lead to a safer, more fuel-efficient vehicle fleet.

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5 A net loss of economic value often occurs when taxes are implemented. If the tax affects relative prices and affects individuals’ incentives and encourages a shift to different activities or goods, this is referred to as the ‘efficiency cost’ of taxation. Efficiency costs associated with tax will be lower where revenue is raised across a broad base and conversely higher where revenue is raised across a narrow base. Australian Treasury, Architecture of Australia’s tax and transfer system, 2008 pp174-175.
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 15% to $300 million in 2011-12.

The traffic improvement fee, paid at the time of registration renewal, will increase from July 2011 by 3.6% or $1.70 to $48.85, consistent with the CPI indexation policy.

Queensland Motorways Limited Tolls

Toll prices in south-east Queensland will increase during 2011-12. For the Gateway and Logan Motorways, this increase will be capped at CPI. This reflects Premier Bligh’s promise that tolls would not increase by more than CPI once Queensland Motorways was privatised. From 1 July 2011 Queensland Motorways will also charge a 42 cent video matching fee if a tag is not detected when a vehicle travels through a toll point. This is in line with the video matching fees applied on other south-east Queensland toll roads.

Queensland Motorways, which operates the Gateway and Logan motorways, last year ceased to be managed by the State Government and was transferred to QIC Limited for $3.088 billion. This repaid associated debt of more than $3 billion and returned $14 million to the State. The transfer of Queensland Motorways to QIC was part of the State Government’s asset sales program.

In 2011-12, the Government will provide increased funding of $3 million for the enforcement of unpaid tolls.

Road and Transport Funding

The 2011-2012 Queensland State Budget provides $5.4 billion for transport and road infrastructure. This consists of $3,350 million for roads, $1,157 for rail, $281 million for ports and $661 million for other transport.

The $3.35 billion budget for capital road funding in 2011-12 is slightly less than last year’s allocation of $3.28 billion when it is adjusted by CPI for inflation (taking it to $3.4 billion). A major difference, however, is that the 2011-12 amount includes $883 million in disaster relief funding to repair roads damaged by the floods and cyclones last summer.

The RACQ wanted the State Government to treat natural disaster recovery money as additional funding, over and above the ‘business as usual’ amount. This would have taken road capital investment to around $4 billion, an amount comparable to 2008-09 expenditure in today’s dollars. Instead, the State Government has kept total road infrastructure spending close to 2010-11 levels and reduced its own contribution to upgrading Queensland roads.

Funding allocated to roads and transport for 2011-12 is compared to last year in Table 4 below:

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7 Queensland Government State Budget 2011-12, Department of Transport and Main Roads Agency Budget Highlights
8 While there is a concern that rapid road construction could overheat contractor and material markets and unrealistically stretch Department of Transport and Main Roads resources, history suggests that delivering a $4 billion capital expenditure roads budget is an attainable goal. In 2008-09 the State Government budget for capital road expenditure was $3.8 billion. In today’s dollars, this would equate to more than $4 billion.
Table 4: Transport Capital Expenditure 2010-11 and 2011-12

<table>
<thead>
<tr>
<th>Transport and Main Roads Budgeted Capital Outlays 2010-11 and 2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Roads</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
</tr>
<tr>
<td>buildings, plant, equipment &amp; other capital expenditure</td>
</tr>
<tr>
<td>National network</td>
</tr>
<tr>
<td>state network</td>
</tr>
<tr>
<td>sub total road network</td>
</tr>
<tr>
<td>capital grants</td>
</tr>
<tr>
<td>transport infrastructure development scheme</td>
</tr>
<tr>
<td>federal blackspot</td>
</tr>
<tr>
<td>sub total capital grants</td>
</tr>
<tr>
<td>Roadtek</td>
</tr>
<tr>
<td>Queensland Motorways Limited</td>
</tr>
<tr>
<td><strong>Sub total Main Roads</strong></td>
</tr>
<tr>
<td><strong>Natural Disaster Relief and Recovery Arrangements</strong></td>
</tr>
<tr>
<td>recovery and reconstruction works</td>
</tr>
<tr>
<td><strong>Total Main Roads</strong></td>
</tr>
<tr>
<td><strong>Transport</strong></td>
</tr>
<tr>
<td><strong>Rail</strong></td>
</tr>
<tr>
<td><strong>Ports</strong></td>
</tr>
<tr>
<td><strong>Total Transport and Main Roads</strong></td>
</tr>
</tbody>
</table>

Source: Queensland State Government 2010-11 Capital Statement, Budget Paper No. 3 pp 129-134
Queensland State Government 2011-12 Capital Statement, Budget Paper No. 3 pp 107-117

(1) Up to 75% of this money comes from the Federal Government
(2) The majority of the ‘Transport’ category funding goes to bus, cycling and walking infrastructure, as well as Translink. It includes $175 million for Gold Coast light rail.

In 2011-12 the Queensland Government will also spend $104 million on the Airport Link toll road, although this is funded outside the Transport and Main Roads budget. The State Government does not include Airport Link in their published spend of $5.4 billion on transport and road infrastructure.9

**Government Disaster Recovery Funding**

The State Government estimates that the floods and Cyclone Yasi will cost the Queensland economy $6 billion in lost output and reduce Gross State Product (GSP) growth by 2.25% in 2010-11.

The dire state of many Queensland roads was highlighted during the floods and cyclones, with 9,170 km of state controlled roads, representing 27% of the State road network, damaged. These 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. Since 2009, the Bruce Highway has been closed 530 times because of flooding.

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9 Queensland State Budget 2011-12, Department of Transport and Main Roads Agency Budget Highlights
Capital investment in road infrastructure should be a key platform for flood recovery. Good roads are vital and deserve appropriate funding. The recent flood disaster reinforced how important roads are to the community and the economy. They need to provide a safe and efficient transport network and an effective distribution channel for food, medical and other essential supplies.

The State Budget provides $1.4 billion in 2011-12 for repairs to flood and cyclone damaged Queensland roads. Of this, nearly two thirds ($883 million) is capital expenditure, while the balance ($524 million) is included as operating expenditure.

Up to 75% of the $1.4 billion being spent to repair roads is provided by the Federal Government under the Natural Disaster Relief and Recovery Arrangements (NDRRA).

**Road Funding**

The State Government is committed to a transport infrastructure program that supports Queensland’s population growth, increases road capacity and reduces travel times. Despite this commitment, since 2008-09 the Queensland Government has reduced capital outlays for roads by more than half a billion dollars. The 2011-12 State Budget fails to deliver the additional road investment needed to maintain productivity and accommodate Queensland’s population growth.

In 2011-12 the State Budget allocates $3.35 billion to road capital expenditure, an amount nominally higher than last year’s $3.28 billion (but less in real terms when inflation is factored in), and a decrease of 12% over 2008-09. Minimal funding is provided for new road projects or major new road upgrades, with the majority of spending going to road projects previously committed or already underway, or to repairing flood damaged roads.

2011-12 Budget funding for ongoing road projects includes:

- Ipswich Motorway - $480 million
- Pacific Motorway - $240.2 million
- Bruce Highway - $291.7 million (including $147.9 million for the Cooroy to Curra section)
- Warrego and Landsborough Highways - $152.6 million
- Gateway Motorway – Port Connect - $120 million
- Sheehy Road to Ray Jones Drive upgrade, Cairns - $41 million
- Capricorn Highway at Gracemere - $8.5 million
- New England Highway - $3.7 million.

Between 2008-2009 and 2010-2011, more than half a billion dollars was removed from road spending (a 14% decrease). Over the same two-year period, higher vehicle registration fees grew the Government’s annual revenue take by $300 million. This is illustrated in Chart 5 below, which also shows that motorists pay much more towards the cost of their driving than just motor vehicle registration. Queensland motorists contribute $470 million in vehicle stamp duty and the Federal Government collects around $2.6 billion in fuel excise annually from Queensland.

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10 Queensland State Budget 2011-12, *Capital Statement* Budget Paper No. 3 p 101; Queensland State Budget 2011-12, Department of Transport and Main Roads *Agency Budget Highlights*
Chart 5: Queensland road capital expenditure and vehicle-related revenue (registration, stamp duty, fuel excise)


It is well established that the growth in capital expenditure up to 2008-2009, shown in Chart 5 above, was “catch up” spending after a long period of neglect. Road infrastructure spending has not yet caught up with the demonstrated needs of Queensland’s rapidly growing population.

‘Other Transport’ Funding

The State Government Budget provides $1.8 billion for transport infrastructure in 2011-12. Around $1.3 billion will go to rail, while the remainder will be spent on pedestrian, cycle, bus and other public transport infrastructure.

Major projects funded in the 2011-12 Budget include:

- Gold Coast Light Rail - $175 million
- Richlands to Springfield Rail project - $118 million
- Northern Busway - $122 million
- Eastern Busway - $66 million.

The average cost of public transport subsidies in south-east Queensland will rise from $5.86 a trip in 2010-11 to $5.92 in 2011-12. Under the public transport subsidy program, taxpayers fund more than 70% of the cost of public transport fares.

In 2011-12 TransLink fare revenue will increase by 23% to $388 million, up from $315 million in 2010-11. The revenue increase is a function of higher trip prices and increased bus, rail and ferry patronage.\(^\text{11}\)

\(^{11}\) Queensland State Budget 2011-12, Budget Strategy and Outlook p 92
The Government will continue to roll out its TravelSmart Schools program to more than 100 schools in 2011-12. This provides opportunities for students to develop sustainable travel habits, promotes healthier travel to and from school, and helps to reduce traffic congestion near schools.

**Road safety**

Almost 250 lives were lost on Queensland roads in 2010, and crashes and fatalities cost the State an estimated $4 billion annually. The 2010 result was significantly down on the 331 Queensland road fatalities recorded in 2009.

The 2011-12 State Budget provides continued funding of $66 million for the Safer Roads Sooner (SRS) program. The SRS program targets road improvements at high severity crash sites.

Other road safety initiatives funded in the Budget include the Government’s alcohol ignition interlock program ($3.9 million over four years), and $19.4 million toward the development of road safety engineering strategies.

Greater emphasis on road safety is essential if Queensland is to meet the National Road Safety Strategy target of a 30% reduction in road fatalities and serious injuries over the next decade. A strategic program of road improvements and increased investment in safety-related initiatives will be required.

**New ‘Hi Tech’ Driver’s Licence**

The Queensland Government will continue its roll-out of a new Queensland smartcard driver’s licence. This provides greater protection from fraud as well as other data enhancements through microchip technology.

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

From 1 July 2011 the fee structure for the new licences will increase by 24.5%, taking the cost of a five-year smartcard driver’s licence to $119.55.

**Congestion**

The Government’s congestion management program of $120 million over four years will be reduced by $10 million in 2011-12, principally due to savings in the implementation of the Intelligent Transport System that manages traffic operations on motorways and other major roads. As congestion remains an increasing problem, the RACQ believes that the $10 million saving could have been invested in other research or programs to manage congestion.

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