Queensland State Budget Overview

<table>
<thead>
<tr>
<th>Item</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>2.3%</td>
<td>0.8%</td>
<td>3.5%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>6.0%</td>
<td>6.5%</td>
<td>6.25%</td>
<td>6.25%</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.8%</td>
<td>1.9%</td>
<td>1.25%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Transport and Roads Capital Expenditure</td>
<td>$5.40 billion</td>
<td>$4.60 billion</td>
<td>$3.72 billion</td>
<td>$4.05 billion</td>
</tr>
<tr>
<td>Government Revenue</td>
<td>$46.7 billion</td>
<td>$49.7 billion</td>
<td>$50.0 billion</td>
<td>$53.5 billion</td>
</tr>
<tr>
<td>Government Expenditure</td>
<td>$46.1 billion</td>
<td>$49.2 billion</td>
<td>$49.8 billion</td>
<td>$52.6 billion</td>
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<tr>
<td>Net Operating Balance</td>
<td>$0.6 billion</td>
<td>$0.5 billion</td>
<td>$0.2 billion</td>
<td>$0.9 billion</td>
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</tbody>
</table>

Introduction

The 2016-17 Queensland State Budget was mainly good news for Queensland motorists, with increases to roads and transport funding. But it also delivered higher registration and driver licence fees.

The State Budget provides $4.05 billion in capital for transport and road infrastructure in 2016-17. This is an increase on last year when Queensland budget funding dropped to $3.72 billion for 2015-16, its lowest level in a decade (see Chart 1).

Chart 1: Queensland Government budgeted transport and road capital funding

![Chart 1: Queensland Government budgeted transport and road capital funding](image)

Sources: QLD Government State Budgets: Budget Paper No. 3, 2016-07 to 2016-17

The $4.05 billion in 2016-17 consists of $2.49 billion for roads, $1.36 billion for rail and $150 million for ports. The remainder (approximately $50 million) goes to other transport infrastructure, including buses and cycling. Additional funding in 2016-17 includes an allocation of $268 million in the State Infrastructure Fund and capital grants of $334 million.
It appears that $750 million of the capital funding budgeted across the Transport and Main Roads portfolio went unspent last year. While this is an improvement on the previous year (when about $1 billion was not spent), the 2015-16 under-spend is still disappointing. If road upgrades are delayed, there are no jobs, congestion or safety benefits.

Maintenance funding is higher this year, with $986 million allocated in 2016-17 compared to $772 budgeted in 2015-16.\(^1\)

The forward estimates for Queensland’s transport infrastructure in the 2016-17 State Budget look reasonable. Transport funding will total $20 billion over the next four years. This is an increase of $1.2 billion over the previous four-year Queensland Transport and Road Investment Program (QTRIP). The higher QTRIP figure is reflective of funding increases at both the State and Federal level.\(^2\)

The 2016 State Budget will result in Queensland motorists paying more for vehicle registration and driver licences. These fees will increase by 3.5% on 1 July 2016.

### Vehicle Registration

From 1 July 2016 vehicle registration and the associated traffic improvement fee will increase by 3.5%. This is double Brisbane’s March quarter inflation rate of 1.7% and follows an increase of 3.5% last year. The RACQ had asked the Queensland Government to freeze vehicle registration charges on private-use vehicles for three years and is disappointed that fees are going up.\(^3\)

<table>
<thead>
<tr>
<th>Cylinders</th>
<th>Cost 1 July 2015</th>
<th>Cost 1 July 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,2,3 cylinders or electric car</td>
<td>$278.45</td>
<td>$288.20</td>
</tr>
<tr>
<td>4 cylinder</td>
<td>$340.40</td>
<td>$352.30</td>
</tr>
<tr>
<td>5 or 6 cylinder</td>
<td>$509.50</td>
<td>$527.30</td>
</tr>
<tr>
<td>7 or 8 cylinder</td>
<td>$693.25</td>
<td>$717.50</td>
</tr>
</tbody>
</table>

A Queensland car registration bill consists of three components:

- Base registration fee (revenue goes to government)
- Traffic improvement fee (revenue goes to government)
- Compulsory Third Party (CTP) insurance charge (revenue goes to the insurance provider).

Once CTP is included, from July 2016 it will cost between $688.90 and $756.90 to register a four-cylinder car, between $863.90 and $931.90 to register a six-cylinder car and between $1054.10 and $1122.10 for an eight-cylinder.\(^4\)

Motor vehicle registration is one of the highest single tax takes administered by the State. In 2016-17 it will contribute 12.8% of total Queensland Government taxation revenue. Queensland Government

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1. QTRIP 2015-16 to 2018-19 and QTRIP 2016-17 to 2019-20
2. The Australian Government will provide $2.17 billion in funding for Queensland roads and rail in 2016-17, an increase of $628 million on the previous year.
3. The Queensland Government will bring in the National Injury Insurance Scheme (NIIS) from July 2016. The RACQ supports this no-fault scheme, but recognises that it will increase the total registration and CTP bill for motorists. For this reason, the RACQ had asked the Government to delay any increases to the registration fee.
4. The cost could vary depending on the timing and amount of CTP increase associated with the introduction of the National Injury Insurance Scheme (NIIS) in Queensland.
Revenue from motor vehicle registration is forecast to grow by 3% in 2016-17, from $1.63 billion to $1.68 billion. This growth is depicted in Chart 2.

**Chart 2: Queensland Government vehicle registration revenue 2000-2001 to 2016-2017 $ millions (excludes traffic and transport fees and CTP)**

[Graph showing vehicle registration revenue from 2000/01 to 2016/17]

Source: Historical QLD Government State Budget Papers (back to 2002); QLD Government State Budget 2016-17: Budget Paper No. 2 Budget Strategy and Outlook p 85

**Vehicle Registration (Stamp) Duty**

Vehicle Registration (Stamp) Duty remained unchanged with rates of between 2% and 4% applied to 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.

In the 2016-17 Budget the State Government is forecasting revenue of $518 million, an increase of 3% on the $503 million in vehicle stamp duty collected during 2015-16.

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.
Drivers Licence

From 1 July 2016 the fee structure for driver licences in Queensland will increase by 3.5%. This follows an increase of 3.5% last year. Licence costs are shown in Table 2:

Table 2: Queensland driver licence fees

<table>
<thead>
<tr>
<th>Licence duration</th>
<th>Cost 1 July 2015</th>
<th>Cost 1 July 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year licence</td>
<td>$71.20</td>
<td>$73.70</td>
</tr>
<tr>
<td>2 year licence</td>
<td>$99.25</td>
<td>$102.70</td>
</tr>
<tr>
<td>3 year licence</td>
<td>$122.80</td>
<td>$127.10</td>
</tr>
<tr>
<td>4 year licence</td>
<td>$142.10</td>
<td>$147.05</td>
</tr>
<tr>
<td>5 year licence</td>
<td>$159.40</td>
<td>$165.00</td>
</tr>
</tbody>
</table>

Speed and Red Light Camera Revenue

Net revenue from camera detected offences (speed and red light cameras) is used to fund road safety programs. This is legislated under the Transport Operations (Road Use Management) Act 1995. The Act requires that money collected for penalties imposed for camera detected offences, in excess of the administrative costs, must be used for specific road safety purposes.

The Queensland Government will invest an additional $89 million over three years from 2016-17 for road safety programs, road accident injury rehabilitation and safety upgrades, funded through the Camera Detected Offence Program (CDOP).6

The latest data available shows that under the CDOP in 2014 there were:
- 102,421 red light camera infringements
- 596,572 mobile speed camera infringements
- 146,715 fixed speed camera infringements
- 1 point-to-point speed camera infringement.7

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6 Queensland Government media release Budget delivers record funding boost for roads and transport 14 June 2016
7 Department of Transport and Main Roads Annual Report 2014–15 pp203 – 206. In 2014 the point-to-point camera system was not in operation due to roadworks on that section of road.
The Department of Transport and Main Roads (DTMR) does not appear to publish total revenue collected from all traffic-related fines; however, revenue from the CDOP is published and itemised separately in DTMR annual reports. The most recent published data shows that in 2014-15 revenue from Queensland’s CDOP was $136 million and net revenue $85 million. Revenue going back to 2009 is shown in Chart 7.

In 2014-15 net revenue from the CDOP was used to fund:

- Road accident injury rehabilitation programs ($4.5 million)
- Improvements to the safety of state-controlled roads ($90.1 million)
- Road safety education and awareness ($13 million)
- RACQ DocuDrama ($160,000)
- Prevent alcohol and risk-related trauma in youth (PARTY program) at Royal Brisbane and Women’s Hospital ($540,000).

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8 The amount spent in 2014-15 includes expenditure from prior year surpluses
Road and Transport Funding

The 2016-17 Queensland State Budget provides $4.05 billion in capital for transport and road infrastructure. This consists of $2.49 billion for roads, $1.36 billion for rail and $150 million for ports. The remainder (approximately $50 million) goes to other transport infrastructure, including buses and cycling. The 2016-17 $4.05 billion investment is up on the budgeted amount for 2015-16 of $3.72 billion.

Maintenance funding is higher this year, with $986 million allocated in 2016-17 compared to $772 budgeted in 2015-16.

Additional funding provided in 2016-17 includes capital grants of $334 million and other funding under the State Infrastructure Fund yet to be incorporated into individual department forward estimates.

The Budget figures show that the performance of the state-controlled road network has stabilised recently, although it is still worse than it was five years ago (see Chart 8). In 2015-16 the percentage of state-controlled roads with a seal age exceeding the optimal was 29%. The estimate for 2016-17 is 28.2%. These figures highlight the need for a continued focus on routine road maintenance and repairs.

Chart 8: Road system seal age (percentage of the State-controlled road network exceeding the optimal seal age)

Source: State Budget Service Delivery Statements: Department of Transport and Main Roads from 2012-13 to 2016-17

Funding for the Bruce Highway in 2016-17 is estimated at nearly $700 million based on the Australian Government contribution of $558 million at an 80:20 funding ratio. In 2016-17 funding includes:

- $84 million to construct a four lane realignment of the Bruce Highway from Traveston Road and Keefton Road, Gympie, Cooroy to Curra (Section C), at a total cost of $384.2 million, in partnership with the Australian Government.
- $56.9 million to duplicate the Bruce Highway (Brisbane - Gympie) from Cooroy Southern Interchange to Sankeys Road, Cooroy to Curra (Section A), at a total cost of $490 million, in partnership with the Australian Government.

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9 State Budget 2016-17 Budget Paper 3 Capital Statement, p4
10 QTRIP 2015-16 to 2018-19 and QTRIP 2016-17 to 2019-20
11 State Budget Service Delivery Statements: Department of Transport and Main Roads from 2012-13 to 2016-17
• $16.4 million for a six-laning extension of the Bruce Highway between Robert Road and Foster Road, as part of the Cairns Southern Access Corridor (Stage 2) project, at a total cost of $58 million, in partnership with the Australian Government.

The estimated $700 million in 2016-17 Bruce Highway funding forms part of the combined $8.5 billion, 10-year deal between the Queensland and Australian Governments to fund safety, flood mitigation and capacity works on the Bruce Highway.

Other capital allocations in the State Budget for 2016-17 include:

• $40.1 million to upgrade the interchange at Exit 54 of the Pacific Motorway at Coomera, at a total cost of $74.7 million, in partnership with the Australian Government and an external developer.

• $26.2 million for the replacement of timber bridges and approaches at various locations on the Peak Downs Highway between Nebo and Mackay, at a total cost of $70 million, in partnership with the Australian Government.

• $24.6 million to duplicate the Warrego Highway from two to four lanes, between Charlton and Kingsthorpe, at a total cost of $160 million, in partnership with the Australian Government.

• $20.5 million to convert the existing roundabout at Anzac Avenue and Deception Bay Road to a signalised intersection at Rothwell, at a total cost of $37.5 million, in partnership with the Australian Government.

• $13.5 million to commence two projects on the Gregory Developmental Road, including widening sections between Charters Towers and The Lynd and the construction of a new high-level Cape River Bridge, south of Charters Towers, at a total cost of $76.9 million.

• $4 million to seal the Kennedy Developmental Road (The Lynd - Hughenden), known locally as the Hann Highway. State funding of $19.6 million over five years has been allocated for the Hann Highway improvements, with negotiations to continue with the Australian Government to secure a federal funding commitment.

• $399.9 million to construct the Toowoomba Second Range Crossing, providing a bypass route to the north of Toowoomba, from the Warrego Highway at Helidon to the Gore Highway at Athol, at a total cost of $1.606 billion, in partnership with the Australian Government.

• $250 million towards widening the Gateway Motorway North to six lanes, between Nudgee and Bracken Ridge, at a total cost of $1.143 billion, in partnership with the Australian Government.

• $34 million for the M1 – Gateway motorway merge upgrade (southbound lanes). The Queensland Government will provide funding of $42 million over four years, but this project is dependent on Queensland securing Federal 80 / 20 funding.

• $62.9 million to widen and improve five major Gold Coast roads in preparation for the 2018 Commonwealth Games, at a total cost of $160.7 million.

Additional funding of $90 million over three years is provided for the local network Transport Infrastructure Development Scheme (TIDS). This takes the TIDS funding to $70 million per year. TIDS funding is used by local councils to deliver necessary upgrades.

**State Infrastructure Fund**

The State Infrastructure Fund has been increased by $1.5 billion, taking its value to $2 billion over five years.

The $2 billion State Infrastructure Fund will assist the delivery of infrastructure projects and support the implementation of the State Infrastructure Plan. The Fund will provide:

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12 Queensland Government Media Release: *Budget delivers record funding boost for roads and transport* 14 June 2016
• $300 million towards the Priority Economic Works and Productivity Program
• $180 million towards the Significant Regional Infrastructure Projects Program
• $20 million towards Maturing the Infrastructure Pipeline
• $1.5 billion for the next phase of priority infrastructure needs, to be informed by independent advice from Building Queensland, including the Building Queensland infrastructure pipeline of priority projects.

Other Transport Funding

Major rail, bus and cycling funding for 2016-17 in the Budget includes:

• $91 million to complete the Moreton Bay Rail link.
• $50 million in 2016-17 for Cross River Rail environmental impact approvals, establishment of the statutory body, and commencement of scoping of value share opportunities, early works and pre-procurement activities.
• $94.5 million to extend the Gold Coast Light Rail system from the Gold Coast University Hospital to the Helensvale Rail Station, at a total cost of $420 million, in partnership with the Australian Government and Gold Coast City Council.
• $17.7 million is provided to commence the implementation of the European Train Control System Level 2 (ETCS 2) Inner City Project. Pending final project approval, implementation will deliver more network capacity as a precursor to Cross River Rail, at a total cost of $634.3 million.
• $104.4 million to continue the duplication of the Gold Coast line between Coomera and Helensvale, at a total cost of $163.2 million.
• $70.4 million for the replacement, renewal and upgrade of rail traction overhead and signalling in the South East Queensland network.
• $32.4 million to introduce efficiencies to rail operations between Brisbane and Toowoomba through track and tunnel upgrades, at a total cost of $58.1 million.
• $24.9 million to upgrade the capacity of the North Coast rail line to increase productivity and efficiency of freight transport, at a total cost of $100 million.
• $243.1 million is provided to deliver and upgrade passenger rail infrastructure and rollingstock across Queensland.

In June 2016 the State Government released the findings of its public transport fare review. From January 2017 the number of zones will drop from 23 to 8 and public transport fares will be reduced across all zones. It is estimated that the public transport overhaul could cost the Government as much as $210 million in lost revenue over the next four years.13

The State Budget Papers outline an expected 1.7% increase in the number of south-east Queensland public transport trips to 183.2 million trips in 2016-17, up from 180.2 million trips in 2015-16.14 The average cost of public transport subsidies is forecast to rise 7% from $6.60 per trip in 2015-16 to $7.05 in 2016-17.15

Queensland Transport and Roads Investment Program

QTRIP 2016-17 to 2019-20 was released in conjunction with the 2016-17 Queensland State Budget. It itemises funding for various roads and transport projects over the four years commencing 2016-17.
Total four-year funding for transport and roads in Queensland is $20 billion. This is up from $18.8 billion in the 2015-16 to 2018-19 QTRIP (and up from $18.1 billion in the 2014-15 to 2017-18 QTRIP).

Road Safety

Money allocated for road safety across Queensland includes funding for Safer Roads Sooner and the Safety Mass Action programs, and $31 million for the Black Spot Program in 2016-17. A number of safety education and awareness programs will continue to receive funding under the Camera Detected Offence Program and the Government will keep rolling out flashing school zone signs across Queensland.\(^{16}\)

A higher Queensland road toll is forecast in 2016-17. DTMR estimates that total road fatalities per 100,000 population will be 5.05 in 2016-17, up from 4.93 in 2015-16 and 4.75 in 2014-15.\(^{17}\)

Community Resilience Fund and Local Government

The Budget includes an additional $10 million for the $41 million Community Resilience Fund to support disaster mitigation projects.\(^{18}\) The Government has also increased the Building Our Regions program funding by $85 million over two years and the Local Government Grants and Subsidies Program (LGGP) has been increased to $46.4 million, $28 million of which is new funding.

Market-Led Proposals

The Budget contained a section on market-led proposals (MLP). A MLP is a proposal from the private sector seeking an exclusive commercial arrangement with government to provide a service or infrastructure to meet a community need. The MLP framework was announced in last year’s Budget and is part of the Government’s plan to create jobs and boost the economy.

One of the possible Market-Led Proposals discussed in the 2016-17 Budget is RACQ’s Mount Cotton Driver Training Centre. Last year RACQ went to the Queensland Government with a plan to transform their ageing Mount Cotton driver training centre into a world-class driving centre of excellence. RACQ wants to make the Mount Cotton facility an innovation hub for government, education and industry groups to research, design and test new vehicle and road safety technologies. If the MLP is accepted, RACQ will take over the operation of the centre and invest in its development to promote driver safety. This will include offering a wide range of programs aimed at reducing accidents, injuries and deaths on Queensland roads.

Congestion

The State Budget 2016-17 Service Delivery Statements show little change in congestion measures. During the morning traffic peak the average travel time (minutes per 10km) in 2015-16 was 11. The forecast in 2016-17 is 11.1. In the afternoon / evening peak, the 2016-17 travel time is predicted to be 11.3 (in 2015-16 it was 11.4).\(^{19}\)

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\(^{16}\) In 2015 the Government announced its plan to deliver flashing school zone signs at 300 new zones across Queensland over the next three years.

\(^{17}\) State Budget 2015-16 Service Delivery Statement: Department of Transport and Main Roads, p11 and State Budget 2016-17 Service Delivery Statement: Department of Transport and Main Roads, p10

\(^{18}\) Queensland Government Media Release: $66 million for local councils to boost resilience and improve community infrastructure 14 June 2016

\(^{19}\) State Budget 2016-17 Service Delivery Statements: Department of Transport and Main Roads, pp6-7
The percentage of the road network with reliable travel times is forecast at between 75% - 79% in peak periods in 2016-17. As expected, this is well under the forecast of 91% during off-peak travel times.\(^2\)

**Fuel**

In 2016-17 $9 million is allocated for Biofuels Mandate Implementation and a Consumer Education Campaign.

RACQ was disappointed that no money was allocated in the Budget to progress regulation around fuel price boards. RACQ has been calling for the Queensland Government to regulate fuel price boards so that retailers are required to display gross fuel prices (before discounts) in an agreed order. This would make the price of the various fuel grades easier to compare among retailers and would help motorists to make a more informed fuel purchase decision.

\(^2\) State Budget 2016-17 Service Delivery Statements: Department of Transport and Main Roads, p7