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Committee Secretary
Senate Economics Legislation Committee
PO BOX 6100
Parliament House
CANBERRA ACT 2600

Dear Dr Dermody

The National Roads and Motorists' Association (NRMA) is Australia's largest mutual organisation representing 2.5 million Members in New South Wales and the Australian Capital Territory. For more than 90 years, NRMA has represented the interests of motorists in relation to road funding, road safety, fuel security, driver education and other related public policy issues.

NRMA welcomes the opportunity to provide a submission to the Senate Economics Legislation Committee to assist with its inquiry into the provisions of the *Excise Tariff Amendment (Fuel Indexation) Bill 2014*; the *Customs Tariff Amendment (Fuel Indexation) Bill 2014*; the *Fuel Indexation (Road Funding) Bill 2014* and the *Fuel Indexation (Road Funding) Special Account Bill 2014*.

Reintroduction of fuel indexation

NRMA is opposed to the Government's proposed amendments to reintroduce a biannual indexation on fuel in line with CPI from 1 August 2014. NRMA strongly believes that the reintroduction of fuel indexation will severely disadvantage Australian motorists who already pay more than their fair share of tax without getting enough back through road investment.

The proposed amendments contained within the *Excise Tariff Amendment (Fuel Indexation) Bill 2014* and the *Customs Tariff Amendment (Fuel Indexation) Bill 2014* will result in higher petrol prices and make everyday activities less affordable for motorists, particularly for those living in rural and regional Australia who must use their vehicles to travel longer distances, harming Australia's future economic productivity.

The Bill's *Explanatory Memorandum* notes that the reintroduction of fuel indexation will provide the Government with \$2.197 billion in additional revenue over the forward estimates.

The Government will collect \$15.2 billion from Australian motorists in 2014-15, and more than \$60 billion over the next four years through the fuel excise. However, under the Government's proposed amendments, only net additional revenue collected from the reintroduction of fuel indexation will be allocated to road infrastructure projects, less than 4 per cent of revenue raised by the fuel excise over the next four years.

Further, despite motorists having to pay additional tax through the fuel excise from 1 August 2014, the Government has committed to spending just 1 per cent of the revenue raised from this tax on road infrastructure in 2014-15.

NRMA's position is for at least 50 per cent of all revenue collected from fuel excise to be hypothecated into a 'special account' and invested back into road and public transport infrastructure. However, NRMA acknowledges the Commonwealth's policy decision to provide rebates to certain primary industries.

Further, the NRMA asks, that if fuel indexation is reintroduced, that the net additional revenue collected through fuel indexation, is also hypothecated into the 'special account' and invested back into road and public transport infrastructure.

Fuel Indexation 'Special Account'

It is noted that the *Fuel Indexation (Road Funding) Special Account Bill 2014* seeks to establish a 'special account' whereby net additional revenue collected from fuel indexation will be hypothecated for the sole purpose of road infrastructure funding.

While NRMA supports the concept of hypothecating revenue raised from motorists for road infrastructure funding, it does not support the proposed *Fuel Indexation (Road Funding) Special Account Bill 2014* in its current form, particularly in relation to the prima facie lack of transparency and accountability in its administration and reporting requirements.

NRMA is concerned about the proposed arrangements for the management of the 'special account'. In its current form, the process for hypothecation and the subsequent allocation of funds to road infrastructure projects is convoluted and appears to create additional layers of bureaucratic red-tape.

NRMA proposes that for the 'special fund' to be sufficiently transparent, the Government should consider adopting similar provisions to those legislated by the NSW Government in establishing the *Community Road Safety Fund*. By adopting similar provisions, revenue raised from the fuel excise, including any additional revenue collected from the reintroduction of fuel indexation, would be allocated into a 'special account' controlled by the Department of Infrastructure and Regional Development, independent of the Treasury.

This would provide a further guarantee that revenue collected from the fuel excise and fuel indexation will be allocated to road and transport infrastructure projects, at the direction of the Minister for Infrastructure and Regional Development, and not redirected into consolidated revenue for other purposes.

NRMA is also concerned that the *Fuel Indexation (Road Funding) Special Account Bill 2014* does not contain specific reporting requirements as Budget Paper No.4 sets out the estimated cash flows and balances of all special accounts. NRMA believes that greater transparency is required, and calls on the Government to ensure that allocations to and from the 'special account' be reported as a separate line item in its Budget Papers.

Further, to ensure public confidence in the 'special account', all allocations made from the account to road and transport infrastructure projects should be reported in sufficient detail in the Department of Infrastructure and Regional Development Annual Report.

NRMA thanks the Committee for the opportunity to provide feedback on the proposed Bills. Should the Committee wish to discuss any of the above matters further, please contact Mr Ben Gommers, Government Relations & Policy Officer

Yours sincerely

Peter Khoury
Acting General Manager – Corporate Affairs