

Senate Economics Legislation Committee: Inquiry into the Fuel Indexation (Road Funding) Bill 2014 and 3 related bills

Question 1:

Senator LUDLAM: I am interested in the interaction between the bills we were discussing this morning and the carbon charge within the Clean Energy Act, which is proposed to be repealed in coming weeks. Do you have a clear idea of how much revenue will be lost if the carbon charge is removed from the fuel tax credit, if that bite is taken out?

CHAIR: Senator Ludlam, I would remind you that this inquiry is about fuel indexation.

Senator LUDLAM: My question relates to fuel indexation.

CHAIR: That is a long bow!

Mr Heferen: The repeal of the carbon package, from our point of view, is pretty settled government policy; all that stuff has been worked through. To give a decent answer to that question, we would have to take it on notice.

Answer:

The 2013-14 MYEFO included a decision *Repeal of the Carbon Tax – forgone revenue from repeal of the Carbon Tax* which abolished the equivalent carbon tax applied to liquid and gaseous fuels through reductions in entitlements to fuel tax credits. This was estimated to increase fuel tax credit expenditure by \$700.0 million over the then forward estimates period.

Question 2:

Senator LUDLAM: I am not necessarily arguing to reduce it further. I am just trying to understand the justification for where they are set. Could you provide us with your estimate, for each year until 2030, of the total revenue you estimate will be put into the road fund this legislation sets up? Our estimate was about \$5 billion a year by 2030, using the standard rate of inflation. Have you guys modelled it that far out?

Mr Heferen: No. We have tried for four years. We will take that on notice.

Senator LUDLAM: I missed what you said. Do you only go out as far as the forward estimates?

Mr Heferen: Yes, any kind of standard process would just be to the forward estimates—the budget year and the three subsequent years. There may be some specific circumstances where the Treasurer may wish something to go further. The budget has medium-term projections over about 10 years on aggregate spending and taxation, but not for this. We can certainly take it on notice.

Senator LUDLAM: Just if it has been done. I know Treasury hates doing anything too far into the future, but it would be interesting to know whether there are any order of magnitude estimates.

Mr Heferen: Sure. I understand.

Answer:

The Government's commitment contained in the 2014-15 Budget was for the net revenue from the reintroduction of fuel indexation to be directed to road infrastructure. Treasury has produced estimates of the net impact of this measure over the forward estimates period and these are included in Budget papers. Treasury has not produced estimates for the net revenue each year out to 2030 for this measure.

Question 3:

CHAIR: I know. The main issue which is coming out is that this indexation is being used as a platform to roll out the old argument about how much is spent of the total amount coming into it. You might want to have a look and see whether there is any history of any of that funding going into public transport infrastructure as well. Currently, it is not proposed, but it is being argued by some groups we have had here this morning that it should be and they are advocating that. But it would be interesting to see if it has ever been the case where there has been a percentage go into that.

Mr Heferen: One of the tricky things is that often expenditure on roads or public transport can be done at the state and local government level. A lot of the money that state and local governments get comes from the Commonwealth through the various grants. So in one sense it is a bit disingenuous for people to say, 'You've got this excise amount, that all ought to be spent on these things,' when in fact the vast bulk of tax revenue comes through personal tax. Most of the distribution to the states and territories and local government through grants other than the GST comes out of personal tax and corporate tax. Large proportions of that will be spent on public transport. It is not as if the excise amount is even informally hypothecated to all forms of transport, but we will take that on notice and try and provide that information.

Mr Sutton: And in our portfolio we can look at what has been spent on the equivalents of the Infrastructure Investment Program and its predecessors on those broader matters beyond road funding and rail freight funding.

Answer:

The Treasury and the Department of Infrastructure and Regional Development are not aware of fuel excise revenues having been hypothecated to public transport projects in the past. It is not possible to identify separately the proportion of a particular project that has been funded by fuel excise revenues.