BIC Submission to the Senate Standing Committee on Economics Review of Excise Tariff Amendment (Fuel Indexation, Road Funding) Bill 2014

Bus Industry Confederation
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Who are the Bus Industry Confederation (BIC)

The Bus Industry Confederation (BIC) is the peak industry organisation representing the interests of bus and coach operators throughout Australia.

As the primary voice of the bus and coach industry the BIC works with all levels of Government, regulatory authorities, strategic partners, our industry and the community to:

- Encourage investment in public transport infrastructure and services.
- Coordinate and make more effective existing Federal, State and Local Government policies and programs that relate to passenger transport.
- Improve public understanding of the contribution made by the bus and coach industry to Australia's economy, society and environment.
- Ensure that the accessibility and mobility needs of Australians are met, regardless of where they live or their circumstances.
- Ensure that buses and coaches operate safely and effectively.

What is this submission about?

Due to the structural arrangements underlying the Fuel Tax Credits (Diesel Fuel Rebate) Scheme, the indexation of fuel excise is revenue neutral for bus and coach operators throughout Australia.

While there are opportunities for revenue collection from bus operators to be re-invested in public transport infrastructure, the focus of this submission is primarily on the *Excise Tariff Amendment (Road Funding) Bill 2014*.

The BIC sees opportunities for this bill to promote an admixture of investment in road and rail public transport infrastructure and travel behaviour change projects in addition to the intended purpose of returning revenue collected from fuel excise indexation to road expenditure.

Hypothecation what does it mean?

The intention to hypothecate revenue collected from the indexation of fuel excise into road funding takes us "back to the future. In 1929 the introduction of an excise on petrol at the rate of 1 penny per gallon - 0.18 cents per litre (cpl) saw the hypothecation of this revenue to road funding.[1]

Formal hypothecation of excise to road funding was terminated in 1959[2] under the *Commonwealth Aid Roads Bill 1959.* Reasons cited included:[3]

- the tax did not only fall on motorists since a large amount of fuel tax was paid by commercial transport operators who passed the cost onto consumers;
- it is an unsound practice to allocate the proceeds of any one tax for any particular expenditure - taxes should contribute to an overall tax pool to be used for any expenditure purposes deemed desirable; and
- there were significant annual fluctuations in fuel tax receipts which would lead to irregular funding for roads, hence making forward planning difficult for road authorities.

[1] Commonwealth Government Department of Treasury, 2001, *"History of Fuel Taxation in Australia"*, Produced for the Fuel Tax Inquiry 2001, Commonwealth Government, Canberra.
[2] Second reading of Commonwealth Aid Roads Bill 1959, cited in Commonwealth Government Department of Treasury, 2001, *"History of Fuel Taxation in Australia"*, Produced for the Fuel Tax Inquiry 2001, Commonwealth Government, Canberra
[3] Commonwealth Government Department of Treasury, 2001, *"History of Fuel Taxation in Australia"*, Produced for the Fuel Tax Inquiry 2001, Commonwealth Government, Canberra.

The development of a Special Account transferred to the COAG Reform Fund under the *Excise Tariff Amendment (Road Funding) Bill 2014* presents an opportunity for further consideration of areas of government expenditure and revenue that may benefit from similar measures.

These further areas are not considered in this submission but the BIC recommends that future reviews of taxation include periodic hypothecation of revenue as a potential avenue to funding priority areas in the economy.

The BIC believes that in hypothecating road use revenue into the maintenance and development of the road network, consideration must be given to the mobility needs of Australians who either cannot afford, or are unable to drive. This necessitates the investment of revenue into not only road construction and maintenance, but investment into infrastructure for alternative modes of travel including bus and rail public transport.

Public transport presented as a viable alternative to those Australians who are able to drive can serve the purpose of reducing demand for the road network, thereby reducing road construction and maintenance costs.

Allowing the revenue collected from fuel excise indexation to be invested in public transport infrastructure can assist in addressing the added demand for public transport services that will arise as driving becomes more expensive.

The role of public transport in delivering a stronger Australia

Road congestion cost the Australian economy $11 billion in lost productivity in 2011[4] and this figure is expected to increase to $20 billion a year by 2020.[5] This is assessed as the cost to the Australian economy in wasted time and fuel, this figure does not include the public health and social costs associated with traffic congestion.

The BIC believes there is a strong economic basis for encouraging public transport use. Research shows a 3 per cent increase in public transport patronage in our major cities would deliver benefits to the Australian community of at least $2.6 billion per annum including savings on urban congestion of $1.5 billion and environmental benefits of $160 million.

The previous Commonwealth Government committed record amounts of funding to urban rail public transport infrastructure and the current Government, through funding urban road projects such as the WestConnex is delivering bus priority measures into these corridors.

While investment in bus priority through large urban road projects is desirable, investment in standalone public transport infrastructure projects holds the potential to deliver significant congestion reduction, environmental and social benefits to the Australian economy and community.

Investment in reducing demand for transport can bring the additional benefit of reducing road maintenance costs and reducing the need for new road construction.

Travel behaviour change: the low hanging fruit

TravelSmart programs by the Australian, State and Territory Governments aim to foster travel behaviour change by encouraging people to use other ways of getting about rather than driving alone in a car.

The Australian Government through the National Travel Behaviour Change Project (NTBCP) partnered with South Australia, Victoria, Queensland, Western Australia and the ACT, over a five year period from 2003 to 2008 to deliver the project.

Since the conclusion of the original project there has been no further Australian Government involvement in TravelSmart initiatives at a State level.

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[4] Australian Treasury (2011), *Revenue Group Update*, Australian Government, Canberra.

[5] Bureau of Infrastructure Transport and Regional Economics, Working *Paper 71: Estimating Urban Traffic and Congestion Cost Trends for Australian Cities*, Australian Government, Canberra.

Over the five years of the NTBCP, it is estimated the project, at a relatively low cost to the Commonwealth Government, resulted in 186,000 Australian households reducing distances travelled by car, resulting in significant increases in active transport and decreases in GHG emissions.

Recommendations

1. **Reword the *Excise Tariff Amendment (Road Funding) Bill 2014* to facilitate investment of revenue from the Special Account into public transport and travel behaviour management programs**

(i) Consider renaming the bill to *Excise Tariff Amendment (Land Transport Infrastructure Funding) Bill 2014*

(ii) Division 3 Section 9 (1) revise to:

The purpose of the Fuel Indexation (Land Transport Infrastructure Funding) Special Account is to ensure that amounts equal to the fuel indexation amount mentioned in subsection (2) are transferred to the COAG Reform Fund in order to provide funding to the States and Territories for expenditure in relation to Australian land transport infrastructure investment.

(iii) Division 3 Section 10 (1) revise to:

The purpose of this section is to ensure that amounts in the Fuel Indexation (Road Funding) Special Account are transferred to the COAG Reform Fund as soon as practicable in order to make grants of financial assistance to the States and Territories for expenditure in relation to Australian land transport infrastructure investment.

(iv) Division 3 Section 10 (3) revise to:

The direction must be expressed to be given in order to enable the amount to be debited from the COAG Reform Fund for the purpose of making a specified grant of financial assistance to the States and Territories for expenditure in relation to Australian land transport infrastructure investment.

(v) Division 3 Section 12 (1)(b) revise to:

The grant is a grant of financial assistance to the States and Territories for expenditure in relation to Australian land transport infrastructure investment;

2. **Where Commonwealth funds are invested into new road construction, ensure where appropriate that bus priority is included in the project**

3. **Allocate a portion of revenue collected from fuel excise indexation to the resumption of the National Travel Behaviour Change Project**