

Dr Kathleen Dermody,  
Committee Secretary,  
Senate Economics Legislation Committee

By email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

**Submissions to the Inquiry into the provisions of the:**  
**Exercise Tariff Amendment (Fuel Indexation) Bill 2014**  
**Customs Tariff Amendment (Fuel Indexation) Bill 2014**  
**Fuel Indexation (Road Funding) Bill 2014**  
**Fuel Indexation (Road Funding) Special Account Bill 2014**

Ben Rose  
26/6/2014

I strongly support the reintroduction fuel excise indexation and indeed the further increase of fuel taxes beyond the Consumer Price Index. I recommend that the revenues raised be spent on:

- Projects to benefit walking, cycling and public transport.
- Projects to mitigate the health impacts of vehicle pollution and global warming
- Roads that are 'walk/ bike' friendly and include priority lanes for electric cars, buses and cars with more than 3 occupants, as is now implemented in the US (New York) and many other states.

Opponents to the fuel excise indexation say that, without public transport investment the fuel excise increase is regressive because it will mostly affect the poor, because they have the least public transport options.

Directing revenues raised by increasing fuel tax to public transport is desirable, but not essential for it to be effective. Increasing fuel price will act as a disincentive to purchasing fuel; this is why it should be done. The 'the poor' (such as my wife and I who are retirees living in an outer suburb on less than \$40,000/ year) do use several transport options. e.g.:

- Buses - all people in Perth are now within 500 m of bus or train stops.
- Fuel efficient car - those who still must drive can obtain a more fuel efficient car. For example our Daihatsu Charade gives 5.4 L/ 100 km, still has 50,000 km life in it and will soon be for sale for less than \$2000. I will replace it with a similar car costing <\$15,000 new, which will last us for 10 years. It is a myth that all poor people have to drive old fuel guzzling Holdens and Falcons (or for that matter any large car).
- Biking and walking - there's nothing to stop anyone biking or walking or using a mobility scooter for trips less than 5 km. We save about 3000 km of driving per year by doing this - more than offsetting a few cents increase in fuel prices and being much healthier as a result.

If it is found that higher fuel prices are really hurting some poorer Australians, in particular large families who may still rely on their cars and have limited capacity to use the options outlined above, then assistance should be provided by targeted tax rebates and increased Centrelink payments.

### **Externalities such as carbon and other pollution**

The hypothecation of fuel excise to fund construction of more roads is a regressive and unnecessary step. The current low fuel excise tax already covers the cost of roads and road maintenance. There are however many externalities that are not factored into the cost of driving. For example:

- pollution- related respiratory illness,
- carbon (about 16% of Australia's C emissions are from transport; about 70% of this from private cars). A \$25/t carbon tax would add about 6-7 c to the price of petrol
- road trauma,
- noise and
- the 'opportunity cost' of 'free' roads and car parks.

Covering the costs of these externalities is reason enough to increase fuel taxes substantially from the current 50c/ per litre to at least \$1 per litre, as is levied by NZ and all European nations. I would recommend this be phased in by means of a 'fuel tax escalator' as introduced by the Thatcher Government in the UK.

### **Vehicle accident insurance**

Accident insurance should also be charged on fuel rather than as a lump sum with the vehicle license. The reasons for this are:

- Likelihood of being involved in an accident is linked to time spent on the road, as is fuel consumption.
- Likelihood of causing injury to another person increases with the 'agressivity' of the vehicle in question and this is higher in larger vehicles, (ref: Monash University crash research), which use more fuel.

### **Road projects**

There is a need to more rigorously assess each road proposal. While roads are necessary for cities to exist, not all roads have proved to be good for cities. Some roads have negative effects on the 'walkability' of neighborhoods, creating a barriers to the movement of people across them. Some do not even have a high enough benefit-cost ratio to justify implementation but were built for political reasons. Benefit-cost studies should be done on all proposals, and made available for public comment.

### **Revenue forgone by the repealing of indexation**

Fuel prices are already 20c/ L CHEAPER than they would have been if indexation had continued (assuming average annual CPI of 3% and 13 years since indexation ceased on introduction of the GST). That has encouraged people to continue to over-use their cars. This is a situation that needs to cease and be reversed. Increasing fuel taxes will provide a price signal for people to use alternative transport modes or buy more fuel efficient vehicles.

These are my views, given with the experience of 10 years as an environmental consultant and 43 years driving on Australian Roads.

Ben Rose.