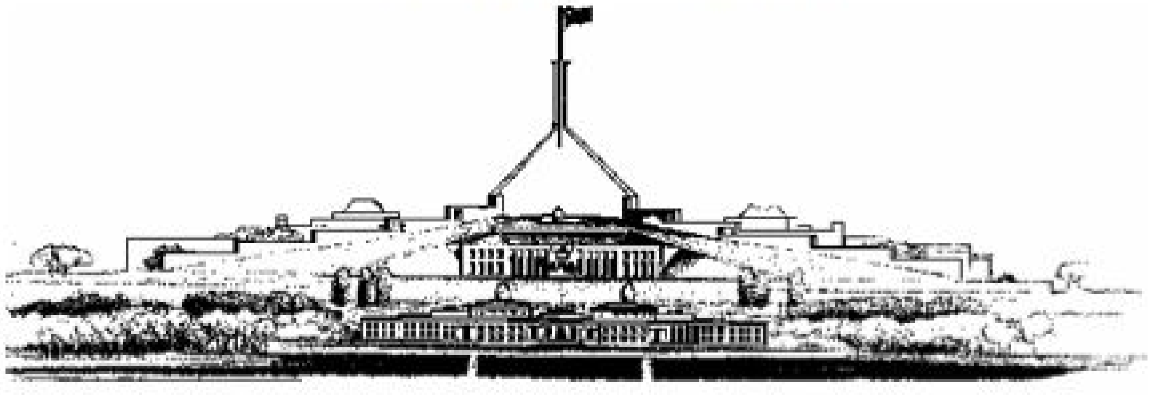
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

Excise 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

Second Reading

SPEECH

Wednesday, 25 June 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Wednesday, 25 June 2014	**Source**	House
Page	36	**Proof**	Yes
Questioner		**Responder**	
Speaker	Taylor, Angus, MP	**Question No.**	

Mr TAYLOR (Hume) (12:41): None of us love government's charging more for the services they provide but—

(Quorum formed) I would again point out to the House those opposite seem to want to call forums and play games all day, yet at the same time they have complained about gags. To go back to where I was: no one in government loves charging more for the services it provides but what is proposed in the bill before the House is a proportionate response to a serious problem. So let us start with the problem that has to be solved here.

The problem is in three parts. First of all, there is clearly not enough money being spent on our infrastructure across the nation the moment. We have had various estimates of an infrastructure spending gap of between $455 billion and $700 billion. That is almost half of the whole GDP of the country for one year. Infrastructure Australia has come up with $70 billion of priority infrastructure projects. More locally, for me, it is very clear we need serious spending on the Barton Highway as we move it towards duplication between Yass and Canberra. As a cyclist I know almost every bump on the local roads, and we know how much has to be spent on those. Meanwhile the degradation of our rail system is evidenced by the conveyor belt of containers coming down the Hume Highway each evening, particularly on Sunday evenings. In the western part of my electorate, grain growers are now paying north of $50 a tonne to move their grain to port because of the failures in our rail system. Not enough money is being spent on our infrastructure.

Secondly, roads are the last utility to not have hypothecated service charges. If we look at water, electricity, rail or telecommunications they all charge directly for their services. Roads do not. We are in a situation where the government has to fund roads from consolidated revenue and the continual tussle has become a serious issue.

That leads to the third problem, which is that our current fuel excise is not indexed and therefore gets left behind. If we want to look at the facts on this we see that, between 1994 and 2011, total excise as a proportion of GDP fell from two per cent to 1.2 per cent. That effectively had an impact on our ability to fund road projects. In fuel terms, if you go back to 2001, the excise was 42 per cent of the fuel price; it fell, by 2011, to 25 per cent. We clearly have an issue. We will look at what the experts say; they are pretty clear about this. I will read from an excellent report commissioned by Infrastructure Partnerships Australia report and completed by Deloitte. They say:

It is widely accepted that the current approach to road pricing is unsustainable. A range of bodies, including Infrastructure Australia, the Productivity Commission, the National Transport Commission and the Commonwealth Treasury … have concluded that the system requires substantial change.

The Henry Review—

Labor's own review when they were in government—

correctly concluded that the current taxation settings for the nation's roads would prove unsustainable in the longer term.

The Henry Review attributed the decline in Fuel Excise revenue to the cessation of indexation in 2001, which has been compounded by other causes, such as increasing efficiency of the vehicle fleet.

This is a serious problem that the experts understand we need to fix.

It is clear that Labor and the Greens want to get in the way. It seems they want to get in the way of just about everything at the moment but clearly this is an area where they seem to be showing resistance. The Greens have already come clean on that by creating some bizarre connection between this bill and a lack of support for public transport. I cannot get my head around that; last time I looked, buses used fuel—but nonetheless that seems to be where they are going. If we go to the Labor Party, they too are showing early signs of wanting to resist this bill. I will remind them, though, that their former governments—in particular former Treasurer Paul Keating—made their views very clear on this issue. Back in his budget speech in 1983, when he first introduced fuel excise indexation, Mr Keating said:

This measure will allow for the maintenance of the real value of excise rates in a non-destabilising fashion.

Later, in 1984, he said that by adjusting excises for inflation each half-year, as the government had done since the last budget—every six months they adjusted for inflation—the real value of the tax did not change. Labor were about to introduce a carbon tax on heavy vehicles from 1 July this year.

When we look at the economics of what has been proposed here, it is absolutely minimal. It is 1c per year. Because it is linked to CPI the affordability will not change. Importantly—coming back to the question of road funding—this indexation is to be hypothecated to road spending by establishing the fuel indexation special account. The minister for infrastructure will be able to allocate this money to state and territory road investment.

As a government we have shown an extraordinary commitment to road funding. There is a great deal of road funding, particularly for regional areas, earmarked in the most recent budget. We see in that budget that there is an extra $350 million in 2015-16 for Roads to Recovery. There is an extra $200 million over two years for Black Spot program funding and there is an extra $240 million for the Bridges Renewal program. We know much of that money—most of that money—will end up in regional areas. Importantly, Black Spot funding criteria have been changed so that at least 50 per cent of the funding is dedicated to regional roads, and the cost-benefit requirement fell from two to one to one to one. There has also been a change in the crash history requirements; now we do not need to wait for casualties before we fix potential black spots. My electorate has benefited greatly from the most recent Black Spot allocations. We see that the Muttama Road in Cootamundra shire has $28,000. The Braidwood Road in the Goulburn shire has $290,000. The Taralga Road at Wombeyan Caves Road has $120,000. The Taralga Road at Curraweela Causeway has $93,000. The Rugby Road has $49,000 and the Burragorang Road in the Wollandilly shire has $350,000. These are all significant investments. And the Barton Highway has a commitment of $4.6 million to fix the McIntosh Circuit at Murrumbateman and another $300,000, jointly funded with the state government, to develop a staged plan for duplication. These are big investments that will make a substantial difference to the roads around my electorate. I will be working closely with local mayors and community groups to make sure that we get more than our fair share of the additional funding earmarked in the budget for regional roads. There is still a great deal to be done in this area.

There are a couple of areas in particular where I think further work is required and I am sure that work will be done in the coming years. First of all, there is a strong case for fuel excise charges and also state registration fees to be hypothecated to road funding. We need a way of directly demonstrating that off-road vehicles should never be charged a fuel excise at any point in the future —

Mr Fitzgibbon: I hope those words don't come back to haunt you!

Mr TAYLOR: and direct hypothecation is one way of ensuring that that occurs.

Mr Fitzgibbon: I agree with you.

Mr TAYLOR: I see that the member for Hunter agrees with me. As a great advocate for the mining industry and agriculture, I am sure he agrees with me. It is critical that we move towards more direct hypothecation, as we are in this bill, and I think we should seriously consider hypothecation down to the owner of the road, whether it is state, local or federal government.

We should also consider progressively shifting the basis for charging away from use of fuel, to distance and vehicle type, particularly for heavy vehicles. This will ensure that changes in fuel efficiencies do not undermine road investment in the future. It will also open the possibility of congestion charging in the cities. This will be good for regional areas, we will see more investment in road and rail infrastructure, and we will see an appropriate level of charging for roads in urban areas.

Just to underscore how serious the congestion problem is becoming in our urban areas, figures from Deloitte show that congestion costs to the economy in 1990 were $5 billion, in 2010 they were roughly $10 billion and by 2020 they are expected to be $20 billion. This is a massive problem for the economy. It is a problem that can be solved partly by the huge new investments that have been made by this government, but we also need to look further at our charging model, as the experts are suggesting. This bill in front of us today is a proportionate response to a serious problem. I commend it to the House.