

23 November 2011

The General Manager
Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

We welcome the opportunity to respond to the discussion paper on the issue of tax incentives to encourage more private investment in infrastructure projects.

The Australian Automobile Association offers its in-principle support to removing tax disincentives to encourage more private investment in infrastructure, specifically via uplifting the value of carry forward tax losses by the 10-year Government bond rate and through exempting the tax losses from the continuity of ownership test and the same business test.

The AAA's main interest in this paper stems from the possible implications for the future funding of land transport infrastructure, and in particular roads.

We would express concern if this tax incentive was to encourage greater investment in infrastructure from the private sector while simultaneously seeing the scaling back of investment from the public sector.

We note in the discussion paper Infrastructure Australia's criteria for ranking projects, and specifically the criterion: *the benefit to the broader community*. We believe this criterion should take into consideration the financial impact for motorists (e.g. tolls and taxation) when a road infrastructure project is being considered by private enterprise.

The Commonwealth and States currently collect around \$16 billion a year in taxes from road users. Under current arrangements motorists are paying substantially more than their fair share in road related taxes, as only a proportion of the revenue raised, is channelled back into direct spending on building and maintaining Australian roads.



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WORLD WIDE AFFILIATION THROUGH THE AIT AND FIA



Some motorists who reside in Australia's most populous capital cities also pay toll charges in order to drive on certain roads that are owned by private operators.

We therefore believe greater investment in infrastructure from the private sector should be complemented with an increase in infrastructure investment from the public sector. These tax concessions should not be used by the government to exonerate themselves of funding responsibilities.

Our clear preference is for revenue collected via motoring taxes to be fully reinvested into the land transport network. This should occur prior to the mass rollout of land transport infrastructure projects being financed under the public-private partnership model.

Yours faithfully,



Andrew McKellar
Executive Director