



AUSTRALIAN
AUTOMOBILE
ASSOCIATION

AAA BRIEF: FEDERAL BUDGET

AUSTRALIAN AUTOMOBILE ASSOCIATION

MAY 2016



BUDGET HIGHLIGHTS

- The Federal Budget is forecast to have an underlying cash deficit of \$37.1 billion in 2016-17¹.
- Land transport infrastructure spending for 2016-17 is expected to be \$9.5 billion up from \$7.01 billion in 2015-16, a small reduction on the forecast in last year's budget of \$9.7 billion for 2016-17².
- The budget recommits to the \$50 billion national infrastructure plan from 2013-14 to 2019-20³.
- The budget provides \$2.9 billion to be allocated from the existing resources of the Infrastructure Investment Program for new investments in infrastructure⁴:
 - Reallocating \$1.5 billion – originally for Melbourne's East West Link - for new projects in Victoria to be funded on a matching basis with the Victorian Government
 - \$260.8 million for the tunnel section of Stage 2 of the Perth Freight Link
 - \$200 million for the Ipswich Motorway in Queensland to be funded on a matching basis with the Queensland Government
 - Up to \$50 million to allow the Commonwealth to adopt a more active role in preparing project and business cases with the states and territories
 - \$920 million in annual funding from 2019-20 to sub-programs including \$400m to increase and extend Roads to Recovery; \$60m for the Black Spots program; \$40m for the Heavy Vehicle Safety and Productivity Program; \$60m for the Bridges Renewal Program; \$350m for national Network Maintenance; and \$10m for Research Evaluation.
- The budget includes \$4m in 2016-17 for the continuation of the keys2drive program for a further year. The one year extension will allow the Government to implement alternative sustainable funding sources for the program beyond 2016-17⁵.
- Western Australia will receive \$490 million for the Forrestfield Airport Link in recognition of its low share of GST as a proportion of population⁶.
- The budget includes provision for a \$593.7 million in additional equity over three years from 2017-18 to the Australian Rail Track Corporation to progress inland rail. The measure includes \$3.8 million in 2016-17 for market testing to examine opportunities to optimise private sector involvement in the project.

¹ BP1 Budget Overview p5-1

² BP1 Table 15 2016-17 and 2015-16

³ BP1 Budget Overview p1-16

⁴ BP2 Part 2 Expense Measures p131-132

⁵ BP2 Part 2 Expense Measures p132

⁶ BP2 Part 2 Expense Measures p150

- The budget notes that the Government has finalised or is close to finalising agreements under the Asset Recycling Initiative with four states and territories worth \$3.3 billion. These agreements will result in over \$23 billion in infrastructure spending, including the Sydney and Melbourne metro projects. The Asset Recycling Fund was announced in the 2014-15 budget⁷.
- The budget includes the removal of the \$12,000 special tariff on imported used vehicles from 1 January 2018, as announced by Minister Fletcher in February 2016.
- Total fuel excise revenue is estimated to be \$18.5 billion in 2016-17. Net fuel excise for 2016-17 will be \$12.3 billion.⁸
- Luxury car tax receipts are forecast to grow by 11.5 per cent in 2015-16 due to stronger than expected sales of vehicles that are subject to the tax.⁹ LCT receipts for 2016-17 are estimated to be \$590million, compared to \$400m for 2016-17 estimated in the 2015-16 budget.¹⁰
- Import duties on passenger motor vehicles are estimated to be \$590 million in 2016-17, up from the \$400 million forecast in last year's budget.¹¹

⁷ BP1 Budget Overview p1-17

⁸ BP1 Revenue Table 7 p4-16; BP1 Expenses Table 12.1 p5-34

⁹ BP1 Revenue p4-13

¹⁰ 2016-17 BP1 Revenue Table 7 p4-16; 2015-16 BP1 Revenue Table 7 p4-16

¹¹ 2016-17 BP1 Revenue Table 7 p4-16; 2015-16 BP1 Revenue Table 7 p4-16

1. Fuel Excise Revenue and Land Transport Expenditure: 2016-17

- Infrastructure expenditure on land transport from the Infrastructure Investment Programme for **2016-17 is \$9.5 billion**. This represents an increase on the 2015-16 expenditure, which was \$7.0 billion¹².
- The total road infrastructure expenditure from the Infrastructure Investment Programme for **2016-17 is \$8.0 billion**. This is an increase on the 2015-16 expenditure, which was \$5.5 billion¹³.
- Spending on land transport infrastructure is projected to peak at \$9.5 billion in 2016-17 before declining over the forward estimates to \$4 billion in 2019-20.
 - Spending on road transport via grants provided under the Infrastructure Investment Programme is estimated to increase by 42.3 per cent in real terms between 2015-16 and 2016-17, and decrease by 53.4 per cent in real terms from 2016-17 to 2019-20. The increase in 2015-16 is largely driven by additional funding to Roads to Recovery announced in the 2015-16 MYEFO. The decline in 2017-18 to 2019-20 reflects completed projects and reduced Commonwealth contributions to major projects which are nearing completion.
 - Spending on rail will decrease by 3.2 per cent in real terms from 2015-16 to 2016-17 and decrease by 93.9 per cent from 2016-17 to 2018-19, ceasing from 2018-19 reflecting completion of existing projects and the Government's decision to provide equity investment in future rail projects¹⁴.
- The Government has also saved \$162.7 million from the Infrastructure Investment Program. These savings will be directed to other priorities in the portfolio¹⁵.
- Revenue from fuel excise in 2016-17 will be \$18.5 billion, an increase from the 2015-16 figure of \$17.9 billion. Net fuel excise for 2016-17 will be \$12.3 billion.¹⁶

¹² BP1 Expenses Table 15 p5-38

¹³ BP1 Expenses Table 15 p5-38

¹⁴ BP1 Expenses Table 15 p5-39

¹⁵ BP2 Expenses p131

¹⁶ BP1 Revenue Table 7 p4-16; BP1 Expenses Table 12.1 p5-34

Table: Net Fuel Excise vs Land Transport Expenditure

	2015-16	2016-17	2017-18	2018-19	2019-20
Net Fuel Excise Revenue (\$m)					
Petrol¹⁷	6200	6450	6700	7050	7550
Diesel¹⁸	9460	9860	10260	10860	11620
Other Fuel Products¹⁹	2240	2230	2270	2350	2460
Fuel Tax Credits Scheme²⁰	-6117	-6236	-6466	-6724	-7070
Total	11783	12304	12764	13536	14460
Transport Expenditure (\$m)					
Road	5501	7971	8300	5079	3979
Rail	1555	1533	742	97	0
Total	7056	9504	9042	5176	3979
Percentage return					
	59%	77%	70%	38%	27%

Comment: This table demonstrates that there is no clear link between the taxes that motorists pay and the expenditure on transport infrastructure. The current funding arrangements are ad-hoc and lack transparency. Whilst the years 2015-16 to 2017-18 show a return of more than 50% of net fuel credits to land transport infrastructure, this is project to fall away dramatically over coming years. These funding arrangements do not provide any certainty to the motoring community that the taxes they pay are being invested into the transport systems that they need.

¹⁷ BP1 Revenue Table 7 p4-16

¹⁸ BP1 Revenue Table 7 p4-16

¹⁹ BP1 Revenue Table 7 p4-16

²⁰ BP1 Expenses Table 12.1 p5-34

2. National Partnership Payments for Infrastructure

The Budget included funding through national partnership payments for land transport infrastructure²¹, namely:

Infrastructure Investment Program

Black Spot Projects

	NSW (\$m)	VIC (\$m)	QLD (\$m)	WA (\$m)	SA (\$m)	TAS (\$m)	ACT (\$m)	NT (\$m)	Total (\$m)
2015-16	7.7	4.1	3.3	7.4	2.9	1.2			26.5
2016-17	31.1	26.0	23.1	6.6	5.5	2.9	1.6	3.3	100.0
2017-18	19.2	13.7	12.2	6.6	4.8	1.6	1.0	1.0	60.0
2018-19	19.2	13.7	12.2	6.6	4.8	1.6	1.0	1.0	60.0
2019-20	19.2	15.2	12.0	6.7	4.2	1.2	1.0	0.6	60.0

Comment: The AAA advocated as part of its pre-budget submission for an increase in funding for the Black Spot program to \$100m per year. Whilst the \$100m for 2016-17 is welcome, the AAA will continue to advocate for increased funding for this program.

Bridges Renewal Program

	NSW (\$m)	VIC (\$m)	QLD (\$m)	WA (\$m)	SA (\$m)	TAS (\$m)	ACT (\$m)	NT (\$m)	Total (\$m)
2015-16	14.3	6.5	23.9	9.8	0.9	3.6	0.9	0.1	60.0
2016-17	16.1	17.9	27.8	5.8	3.1	1.9	0.7	6.7	80.0
2017-18	26.1	20.3	24.9	8.9	5.8	1.8	1.3	0.8	90.0
2018-19	30.3	14.6	11.7	6.4	4.2	1.3	1.0	0.6	70.0
2019-20	19.2	15.2	12.0	6.7	4.2	1.2	1.0	0.6	60.0

Developing Northern Australia – Improving cattle supply chains

	NSW (\$m)	VIC (\$m)	QLD (\$m)	WA (\$m)	SA (\$m)	TAS (\$m)	ACT (\$m)	NT (\$m)	Total (\$m)
2015-16									
2016-17			21.9	12.0				1.1	35.0
2017-18			21.9	12.0				1.1	35.0
2018-19			18.7	10.3				0.9	30.0
2019-20									

Developing Northern Australia – Northern Australia Roads

	NSW (\$m)	VIC (\$m)	QLD (\$m)	WA (\$m)	SA (\$m)	TAS (\$m)	ACT (\$m)	NT (\$m)	Total (\$m)
2015-16									
2016-17			62.7	34.2				3.2	100.0
2017-18			131.4	72.0				6.6	210.0
2018-19			140.5	77.4				7.0	225.0
2019-20			40.5	22.5				2.0	65.0

²¹ BP3 Part 2 Infrastructure pp48-54

Heavy Vehicle Safety and Productivity Programme

	NSW (\$m)	VIC (\$m)	QLD (\$m)	WA (\$m)	SA (\$m)	TAS (\$m)	ACT (\$m)	NT (\$m)	Total (\$m)
2015-16	22.6	11.2	7.1	7.3	7.0	1.0	0.5	2.7	59.5
2016-17	26.4	11.6	7.8	8.6	4.8	0.8	0.6	4.0	64.6
2017-18	17.4	12.0	9.6	5.2	3.4	1.0	0.8	0.5	50.0
2018-19	12.8	10.0	8.0	4.4	2.9	0.9	0.7	0.4	40.0
2019-20	12.8	10.1	8.0	4.4	2.8	0.8	0.7	0.4	40.0

Improving the national network

	NSW (\$m)	VIC (\$m)	QLD (\$m)	WA (\$m)	SA (\$m)	TAS (\$m)	ACT (\$m)	NT (\$m)	Total (\$m)
2015-16									
2016-17					0.4				0.4
2017-18									
2018-19									
2019-20									

Investment

Rail Component

	NSW (\$m)	VIC (\$m)	QLD (\$m)	WA (\$m)	SA (\$m)	TAS (\$m)	ACT (\$m)	NT (\$m)	Total (\$m)
2015-16	79.0	0.1	102.0			11.3			192.3
2016-17	25.0	14.3	147.5		7.8	20.4			214.9
2017-18		15.0	37.5		35.3	12.9			100.6
2018-19		18.0	10.0			15.3			43.3
2019-20									

Road Component

	NSW (\$m)	VIC (\$m)	QLD (\$m)	WA (\$m)	SA (\$m)	TAS (\$m)	ACT (\$m)	NT (\$m)	Total (\$m)
2015-16	1361.7	233.3	991.3	269.3	127.8	67.3	0.6	97.5	3148.9
2016-17	2265.4	435.9	1488.3	419.5	268.8	114.3	6.3	47.4	5045.8
2017-18	1584.3	585.9	1855.3	520.7	587.3	54.7	6.6	20.7	5215.5
2018-19	809.7	262.6	1246.8	388.9	455.3	80.9	3.0	18.5	3265.7
2019-20	786.6	377.0	1205.5	473.0	228.3	66.0	20.7	12.7	3169.8

Roads to Recovery

	NSW (\$m)	VIC (\$m)	QLD (\$m)	WA (\$m)	SA (\$m)	TAS (\$m)	ACT (\$m)	NT (\$m)	Total (\$m)
2015-16	170.6	133.5	139.7	98.9	59.7	21.3	9.0	19.7	652.4
2016-17	234.7	163.8	163.7	117.8	72.4	26.2	12.9	23.5	815.1
2017-18	195.0	142.4	142.4	102.4	63.0	22.8	11.2	20.4	699.6
2018-19	97.6	72.6	79.4	55.4	32.9	11.5	4.0	11.0	364.5
2019-20	111.4	81.4	81.4	58.5	36.0	13.0	6.4	11.7	399.8

3. Details of Relevant Programs

Removal of the Special Duty on Imported Used Vehicles²²

The Government will remove the \$12,000 special tariff on imported used vehicles from 1 January 2018. This measure is estimated to have negligible cost to revenue over the forward estimates period.

The special tariff is rarely applied in practice as importers can claim an exemption if they have a Vehicle Import Approval issued by the vehicle safety standards regulator.

Further information can be found in the press release of 10 February 2016 issued by the Minister for Major Projects, Territories and Local Government.

Comment: *This announcement was welcomed by the AAA in February 2016. The AAA will continue to advocate for the removal of all import duties and tariffs from passenger vehicles.*

Infrastructure Investment Programme — efficiencies²³

The Government will achieve efficiencies of \$162.7 million over four years from 2016-17 from uncommitted project contingency funding within the *Infrastructure Investment Programme*.

Savings from this measure will be redirected by the Government to fund new policy priorities in the Infrastructure and Regional Development portfolio.

Infrastructure Investment Programme — new investments²⁴

The Government will provide \$2.9 billion for significant new investments in essential infrastructure across Australia. The new investments include:

- \$1.5 billion for new projects in Victoria to be funded on a matching basis with the Victorian Government, including \$350.0 million for the Western Ring Road, \$220.0 million for the Murray Basin freight rail upgrade, \$500.0 million on the Monash Freeway, \$345.0 million for rural and regional highways, \$75.0 million for urban congestion and \$10.0 million to progress the business case for the Melbourne Metro;
- \$260.8 million for the tunnel section of Stage 2 of the Perth Freight Link, bringing the total Government commitment to the project to \$1.2 billion; \$200.0 million for the Ipswich Motorway in Queensland to be funded on a matching basis with the Queensland Government;
- up to \$50.0 million to allow the Commonwealth to adopt a more active role in preparing project and business cases with the states and territories; and
- \$920.0 million in annual funding from 2019-20 to successful infrastructure sub-programs, including \$400.0 million to increase and extend the *Roads to Recovery* program, \$60.0 million for the *Black Spots* program, \$40.0 million for the *Heavy Vehicle Safety and Productivity* program, \$60.0 million for the *Bridges Renewal* program, \$350.0 million for National Network Maintenance and \$10.0 million for Research and Evaluation.

Funding for the Victorian projects has already been provided for by the Government. Funding for the new projects, business case development and the sub-programs will be met from within the existing resources of the *Infrastructure Investment Programme*.

Comment: *The AAA will continue to advocate for the establishment of an independent transport infrastructure fund and the hypothecation of a guaranteed minimum 50% of net fuel excise as a transition to transport market reform in the*

²² BP2

²³ BP2

²⁴ BP2

longer term. This fund would give certainty of funding to projects and programs including those listed above.

Keys2drive — additional funding²⁵

The Government will provide \$4.0 million in 2016-17 to extend the *keys2drive* program for a further year.

Keys2drive is a learner driver education program that provides a free coaching session from a professional driving instructor to participating learners and supervising drivers. The program is delivered by the Australian Automobile Association and state motoring clubs.

The one year extension will allow the Government to implement alternative sustainable funding sources for the program beyond 2016-17.

Comment: *The AAA has advocated strongly for the continuation of funding for the keys2drive programme, which was due to cease at 30 June 2016. The AAA welcomes the one year extension of the programme and looks forward to working closely with the Government to further strengthen the programme ahead of the 2017-18 Budget deliberations.*

Western Sydney Airport — further preparatory works²⁶

The Government will provide \$115.1 million over two years from 2016-17 to progress preparatory works at the Western Sydney Airport (WSA) site at Badgerys Creek, including \$26.2 million to undertake concept design for the provision of rail services through the site.

The funding will be used to provide specialist advice on planning and development of the project, ongoing management and security of the site, minor land acquisitions and design work for the provision of utilities. The concept design for the provision of rail services to the site will be prepared with assistance from Transport for New South Wales and will recommend any preparatory works to ensure the WSA site is rail ready.

Asset Recycling Initiative — return of unallocated funds²⁷

The Government will return \$853.6 million in unallocated funds from the Asset Recycling Initiative (ARI) to the budget for use on other policy priorities.

The ARI has been operating since May 2014, and under the National Partnership Agreement on Asset Recycling, the States and Territories have until 30 June 2016 to agree final ARI schedules with the Commonwealth. The Government has reached agreement or is in the final stage of negotiating agreements with the States and Territories worth up to \$3.3 billion, catalysing \$22.0 billion in infrastructure investment. As no other agreements with the States and Territories are likely to be agreed before 30 June 2016, the Government has decided to reallocate the remaining uncommitted funding from ARI to other policy priorities.

Delivery of Inland Rail²⁸

The Government will provide up to \$593.7 million in additional equity over three years from 2017-18 to the Australian Rail Track Corporation (ARTC) to progress the Inland Rail project including land acquisition, the continuation of pre-construction, and due diligence activities. The funding will be subject to an equity funding agreement to be developed between the

²⁵ BP2

²⁶ BP2

²⁷ BP2

²⁸ BP2

Commonwealth and ARTC. This will bring the Government's commitment to the project to a total of \$893.7 million.

This measure includes \$3.8 million funding for market testing to examine opportunities to optimise private sector involvement in delivering and financing Inland Rail.

Attachment A: AAA Pre-Budget Submission Analysis

1. The Safety of our Roads	Recommendation	2016-17 Budget
a) Keys2drive - continuation and expansion	The Australian Government continue and expand the keys2drive program by committing \$20 million over the forward estimates	\$4m for one year
b) Australian Road Assessment Program – targeted funding to save lives	The Australian Government upgrade the two lowest star rated roads by spending \$4.7 billion over the next four years	Not funded
c) Prioritising Blackspot Funding	The Australian Government permanently increase funding from \$60 million to \$100 million per year in recognition that the program prevents over 4,000 accidents and saves more than 30 lives each year	\$100m 2016-17 \$60m 2017-18 – 2019-20
d) Continuation of the Australasian New Car Assessment Program and Used Car Safety Ratings	The Australian Government commit at least \$8 million over four years to allow ANCAP to continue to release about 45 safety ratings per year and undertake 22 local assessments	ANCAP funded from a sub-program; Not shown in budget papers.
e) Introduction of a Trauma Registry	The Australian Government commit \$150,000 annually to measure and curb the carnage on our roads.	Working with Department of Infrastructure to secure support outside of Budget process
f) Ensuring Foreign Aid is dedicated to Road Safety	The Australian Government direct future international development assistance towards projects which deliver tangible improvements on road safety outcomes through the inclusion of road safety criteria as a condition of funding.	Policy principle. Not shown in budget papers
2. Congestion in our Cities		
a) Federal commitment to Public Transport	The Australian Government assess land transport infrastructure projects on their merits and not discriminate between road and public transport projects.	Rail projects to be funded through Asset Recycling and Infrastructure Investment Programmes
b) The use of smart technology to better manage the road network	The Australian Government work to identify Intelligent Transport System projects within the current National Innovation and Science Agenda worth \$1.1 billion over four years.	Not shown in budget papers.
3. The Cost of Motoring		
a) Fuel Excise Revenue and Road Funding – a fair go for motorists where 50 per cent of net	The Australian Government guarantee a minimum of at least 50 per cent of fuel excise revenue, net of fuel tax credits, be earmarked transparently for land transport funding.	A 77% return for this financial year, but declining to 27% throughout the forward estimates. No

excise is returned in infrastructure spending		commitment given to a guaranteed minimum of 50%
b) Renewed commitment by the Government for the ACCC's fuel monitoring activities	The Australian Government renew its commitment to the ACCC's fuel monitoring activities given the significant benefits accrued already since these activities have been increased.	Not shown in budget papers
c) Removal of tariffs on imported vehicles		
a. Tariffs on imported vehicles	The Australian Government abolish the five percent tariff on imported vehicles saving consumers \$2,280 million over the forward estimates	Not supported. Forecast to increase
b. Luxury Car Tax	The Australian Government abolish the Luxury Car Tax with savings to consumers totalling \$2,090 million over the forward estimates.	Not supported. Forecast to increase

4. The State of our National Infrastructure

a) Support for strong Infrastructure Governance	The Australian Government continually seek to bolster the governance arrangements around the selection and funding of land transport infrastructure.	Supported
b) Infrastructure Australia led public inquiry into transport market reform and road user charging	The Australian Government commit to an Infrastructure Australia led public inquiry into transport market reform and the benefits of road user pricing in the context of the fragmented, underfunded road network at a cost of \$10 million over two years.	Not funded

5. Ensuring Australia has a robust vehicle emissions framework

a) Establishing a robust Australian emission testing framework	The Australian Government commit to a 50 percent contribution to the vehicle emissions independent audit program initiated by the AAA, and fund the ongoing audit function at a cost of \$1 million over four years.	Not supported
b) Providing user friendly information on emissions	The Australian Government return the Green Vehicle Guide to its former star rating approach to ensure that consumers are provided with accurate and relevant vehicle emissions information that is easily understood. The cost of this initiative could be met within existing departmental resources.	Not shown in budget papers

**6. Ensuring
Australians have
access to future
technological
advances in
motoring**

a) Unlocking the benefit of Autonomous Vehicles	The Australian Government should work actively with State and Territory Governments to incentivise the development and testing of autonomous vehicles and seek to harmonise legislation that will ultimately allow the operation of autonomous vehicles on the road network. Where possible, funding through the \$1.1 billion National Innovation and Science Agenda should be leveraged to support trials and start-ups that focus on driverless car technology.	Not shown in budget papers
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