

BIC COLUMN MAY 2009

Taxing Times – Horses for Courses Needed for the Bus Industry

We've got fewer wheels, less weight, a different vehicle design and a completely different cargo on our vehicles; the most valuable cargo – people. But it makes no difference because we continue to be lumped in with the trucking industry when it comes to pricing, taxation and the task we undertake.

If after all this time, nobody can tell the difference between a bus and a truck there should be some serious questions asked about how policy is being developed in this country.

AN EXPENSIVE BASKET

The “too hard” basket as far as calculating the fuel rebate, the road user charge, the impact that the proposed Carbon Pollution Reduction Scheme (CPRS), to name a few, will have on an environmentally positive industry, is a very expensive “basket” to put the Australian bus and coach industry in.

“IT'S TIME”

BIC believes it is time for our Governments to recognise the vital and completely different role that the bus industry plays, as compared to the trucking industry with regards to the Australian economy, environment and community.

We have lobbied for this recognition during our time in Canberra and this is becoming even more crucial as we approach our new “Climate Change” future where fuel use by the bus industry looks set to incur the same penalties as the trucking industry under the proposed CPRS.

Buses on the road mean cars off the road and this brings with it economic benefits, less infrastructure damage, less pollution, reduced congestion and less fuel use by motorists. As an Industry we save the economy, we are not a cost. Any increase in the operating and running costs of public transport can only have a negative impact on the economy, environment and individual lives.

According to research:

- A single extra bus load of passengers takes up to 50 cars off the road at current fuel prices
- At current fuel prices a family can save \$5000 a year by using public transport as their second car.
- Changing the travel behaviour of one million Australians, living in outer metropolitan suburbs and regional areas, from travel by car to travel by public transport for work trips, can result in total household savings to the economy, of more than \$1.5 billion a year.
- Every one million passenger kilometres on public transport, instead of cars, saves 45,000 litres of fuel.

If these aren't serious savings, (and there are more), then I don't know what are. Governments need to look at the whole transport equation and not just the bits that they like because they raise revenue. This simplistic approach to transport policy must change in the national interest.

Some current examples of this simplistic "one size fits all", counter productive approach to transport policy follow. We require leadership from the Commonwealth and the National Transport Commission to provide a more sophisticated and holistic approach to how transport policy and its impacts are measured.

FUEL PRICES TO INCREASE FURTHER

The Federal Government is holding a consultation period at the moment regarding whether to introduce the agreed (by Transport Ministers last year) annual adjustment (upward of course) to the Heavy Vehicle Road User Charge. If agreed it reduces the diesel fuel rebate by an equal amount and in doing so increases the cost of fuel.

This is yet another example of where the bus industry has been thrown into the general "Heavy Vehicle" classification with trucks without any consideration of the role we play or the savings and benefits that we as an industry provide.

The bus industry IS different from the trucking industry and we should be dealt with flexibly in the calculation of charges.

THE ROAD USER CHARGE UNDERSTOOD

The Road User Charge is the system used by the Government to collect money from road users for wear and tear on the roads. The Road User Charge for the bus industry is made up of part of the excise we pay on fuel and annual registration fees for vehicles.

The Federal Government is now consulting with the industry on whether they should increase the road user charge.

This is how the Road User Charge means works. The 38.1 cents per litre fuel excise is made up of two components; the road user component and the diesel rebate component. The Road User component of excise plus your annual registration fee is your Road User Charge.

So what has happened over the past few years?

Road User Charge in 2007 = Registration Fees + Total Fuel Excise (38.1 cents per litre) – Fuel Rebate (18.5 cents per litre)

Road User Charge in 2008 = Registration Fees (increased from 2007) + Total Fuel Excise (38.1 cents per litre) – Fuel Rebate (17.1 cents per litre)

Road User Charge in 2009 (Proposed) = Registration Fees (to increase again) + Total Fuel Excise (38.1 cents per litre) – Fuel Rebate (16.4 cents per litre)

Since 2007 the Road User Charge component of excise has increased while the rebate has been reduced by the same amount.

Over time the rebate is disappearing as the Road User Charge that we pay out of fuel excise is increased, “Recoup the Rebate by Stealth”. This begs the question why buses are being treated the same way as trucks and it makes no sense if Government policy is about encouraging public transport use.

As the Fuel Rebate shrinks the Road User Charge grows. If this trend continues at the rate it has been since 2007, the Fuel Rebate for operators should be virtually a thing of the past by 2020. This is not an outcome that would benefit the bus industry, public transport users or the State Governments that fund public transport systems in Australia.

Don't get me wrong, we are happy to “pay our way” for the use of roads, but let's look at buses in a different way and promote public transport, not discourage it.

These costs are being levied on the bus industry, while our country cousins in the agricultural sector manage to recoup the whole 38.1 cents per litre paid in excise through the fuel rebate. While we don't begrudge them their “exemption” from the road user charge, we would have to argue against the logic of providing no relief whatsoever to the bus industry under the same scheme.

If Governments are serious about urban congestion, climate change, pollution and social isolation, then it should be clear that increasing the costs of public transport is not a solution it just adds to the problems.

THE CARBON POLLUTION REDUCTION SCHEME (CPRS)

The recent announcement of the delay in the introduction of the Carbon Pollution Reduction Scheme offers the Government a chance to get things right when it comes to public transport and gives us a chance to have our voice heard about the benefits of replacing car use with bus trips.

The CPRS, which was to be put before parliament looked set to defeat its own purpose by putting upward pressure on operating and running costs for the bus industry, making it more expensive to operate public transport in the future.

If the CPRS, is introduced to Federal Parliament as it currently reads, it will again lump the bus industry with trucks. Excise will be cut on a cent-for-cent basis for one year (3 years for cars) to absorb any

increases in fuel prices caused by the scheme. This measure will then be reviewed after one year at which time we believe it is likely that cent for cent protection against fuel prices for “heavy vehicles” will be removed. This can only result in increased fuel costs and more expensive public transport.

This is hardly a pro-active policy to reduce emissions from cars and promote public transport as an alternative. It is counter intuitive. That’s what I mean by a “more sophisticated and holistic “approach to transport policy and leadership by the Commonwealth.

In our submission to the review of fuel excise under the CPRS we put forward the industry’s position that the Carbon Pollution Reduction Scheme should provide a permanent cent for cent rebate for urban route and school buses and coaches, from any impact that a CPRS will have on fuel prices. This would provide a real price signal for public transport to be a truly competitive transport choice. This in turn would result in a reduction in transport related emissions. A win for everyone.

In the “grace period” before the introduction of the CPRS to Parliament, which will probably happen next year, the BIC will lobby to have public transport vehicles recognised as different from other heavy vehicles and recognised as providing an environmental and emissions benefit by taking cars off the road.

The BIC Submission to the Carbon Pollution Reduction Scheme can be found on the Ozebus website www.ozebus.com.au.

FRINGE BENEFITS TAX AND INCOME TAX

Another area of taxation and transport related pricing the BIC is lobbying the Federal Government on is the incentives provided for car use under Fringe Benefits Tax (FBT). We have long argued for the equalisation of public transport use under FBT arrangements to create an incentive for employers to encourage public transport use by employees.

We are also calling for the provision of income tax deductions for commuters who buy long-term public transport tickets and an effective road pricing and congestion charging regime for Australia. A system that looks beyond just the mass of the vehicle and takes into account the infrastructure savings and emissions savings (cars off the road) that the bus and coach industry provides.

THE NTC AND A FEDERAL PUBLIC TRANSPORT MINISTER

An avenue for the proper coordination and investigation of setting up a different and FAIRER pricing system for the bus industry, reflecting the benefits to the Australian economy, environment and community of increased public transport use, is through the National Transport Commission.

The issue of road pricing and taxation in our industry and the “one size fits all” approach that we operate under is reason enough to justify the need, at a Federal Level, for a Minister for Public Transport, to work with States to identify solutions for moving people in urban and regional centres.

This is increasingly important as we see the passenger transport task grow and our nation having to deal with the challenges of climate change, urban congestion and oil scarcity.

The concepts of a Federal Ministry for Public Transport and a more effective taxation and pricing system for the bus industry to operate under will feature in our sessions at the 2009 BIC National Conference. Our brochure will be available to the industry soon and registrations will be open. Mark your diaries NOW.

October 25-28, BIC National Conference, Grand Chancellor Hotel, Hobart.

Michael Apps
Executive Director