

Federal Budget Summary

Bus Industry Confederation



May 2011

Overview

The 2011 Federal “Budget of Pain”, far from being painful for the bus industry, has provided a historical moment for public transport in Australia and further confirmation the BIC’s efforts in lobbying for better public transport in our cities and regions is making headway with the Federal Government.

The issues the BIC has been dealing with in our lobbying in Canberra were given prominence in the Government’s strategy to expand Australia’s economic capacity in the future.

As a result we saw significant measures announced in the budget, and following it, in the area of infrastructure, urban policy and taxation which will bring positive benefits to our industry.

Infrastructure

In a move to encourage private investment in infrastructure, particularly by superannuation funds, the Budget saw the removal of impediments in the tax system for investments made in projects on Infrastructure Australia’s National Priority List.

The program, which is worth \$25 billion over the next 6 years, will mean taxation disincentives to private investment in infrastructure are removed and the amount invested is guaranteed a minimum return of the Government bond rate.

Infrastructure Australia will oversee the process of determining which projects are eligible for this investment based on its National Priority List, including a number of public transport projects, which is set to be updated in the near future.

In a measure to guarantee Infrastructure Australia’s future the Government announced an increase in the funding for the organisation by 40 per cent over the next four years to \$9 million a year.

Amongst a statement of expectations addressed to Infrastructure Australia’s Board Minister Albanese asked them to:

- Develop a strategy aimed at improving public transport service standards through better use of existing infrastructure and investment in new infrastructure.
- Update the nation’s infrastructure priorities.
- Develop a deeper National Priority List for infrastructure projects, with a more “top-down” approach which involves looking at and developing proposals beyond the current application process participated in by State and Territory Governments.
- Work with the private sector to attract investment under the new measures announced in the budget.
- Identify further areas where private financing reforms can be developed for infrastructure projects and consider user charging as a possibility.
- Develop approaches for using infrastructure as a driver of sustainable and productive urban development.

In addition to these new measures the Government renewed its commitment to progressing existing investments in public transport under the budget totalling more than \$7 billion and including projects in every major capital city on the mainland.

National Urban Policy

Shortly after the Budget announcement Minister Albanese released a statement *Our Cities, Our Future - A National Urban Policy for a Productive, Sustainable and Liveable Future*, which will be followed by a final and more comprehensive National Urban Policy. Minister Albanese's statement is attached.

The BIC's *Moving People – Solutions for a Growing Australia*, which is available on BIC's Ozebus website www.ozebus.com.au was referenced in the document and a lot of the policy and program ideas we have been floating in our lobbying were picked up in the Minister's statement. We will keep the industry informed about this policy as it is developed.

The Minister's statement included \$120 million for the *Sustainable Communities* package which aims at urban renewal by:

- Investing in capital projects which improve public transport services and support new local jobs;
- Working in partnership with the Capital City Lord Mayors on demonstration projects which enhance the liveability and sustainability of our capital cities;
- Funding capital projects which support urban development or renewal projects that reduce costs and improve access to transport;
- Achieving more efficient and effective use of new and existing infrastructure through the incorporation of smart technology;
- Funding demonstration projects to show how new investments in community facilities and better planning can help improve quality of life in our outer and growth suburbs; and
- Funding projects in outer suburbs and major regional cities which meet the COAG national criteria and promote improved housing and transport supply.

The \$120 million in the *Sustainable Communities* package is made up of two parts.

Sustainable Communities Package

Part A: Liveable Cities

A \$20 million allocation for planning, feasibility, assessment, design and/or capital works projects which improve the quality of life in cities.

The key objectives of these projects will be to:

- Invest in the development of urban renewal projects that improve access to jobs and housing and enhance the liveability of cities;
- Improve urban design outcomes to deliver higher quality public spaces and streetscapes to benefit local businesses, communities and visitors.

Proposals that might be funded include projects that:

- Encourage innovative residential developments that promote housing affordability, adaptable and accessible housing and improve access to services and public transport.
- Promote or incorporate active travel through walking and cycling.

Part B: Suburban Jobs

A \$100 million allocation to support State, Territory and local governments to plan and provide for employment precincts, manufacturing hubs and multi-function developments close to residential areas, in order to reduce travel times to work and essential services.

Of further benefit to the industry under the National Urban Policy is the investment of \$61.4 million for the development of a National Smart Managed Motorways Trial which will look at initiatives to ease congestion, lower urban emissions and expand the capacity of existing outer city road infrastructure networks.

This project will introduce smart technology such as variable speed signs, ramp metering and freight prioritisation. The BIC will work with the Government to have bus prioritisation included in any trials that take place.

Tax Measures

In response to the Henry Tax Review, which reflected the BIC's view that existing Fringe Benefits Tax arrangements provided perverse incentives for car, the gap in tax rate between the different kilometre thresholds under the FBT has been reduced.

The gap will be brought closer together each year until there is a flat 20 per cent rate to determine someone's fringe benefit from their company car from April 2014 onwards.

This means the change will increase the tax concession for people driving their cars less than 15,000 kilometres a year, maintain it for those travelling between 15,000-25,000 kilometres and decrease it for those travelling more than 25,000 kilometres.

This measure is estimated to save the Government around \$954 million over the next four years, which has been directly reinvested as new funding and accelerated investment for the Nation Building Program.

In a measure designed to assist small businesses and lower the average life of the trade vehicle fleet the Government is offering an instant tax write off of \$5000 on any new vehicle purchased by a business with an annual turnover of \$2 million or under. **This may have an impact on purchases of vehicles for bus operators, the BIC recommends contacting the Australian Taxation Office on 13 28 69 to learn if you are eligible.**

What the BIC is Working Towards

The 2011 Federal Budget, in addition to delivering some historical reforms and policies in the area of public transport has created a new set of challenges for the BIC to address in our lobbying to the Federal Government.

These include:

- Working with Infrastructure Australia to ensure private investment in infrastructure that will be incentivised under the new measures guaranteeing a government bond rate for investors, is made conditional on consideration given to public transport accessibility.
- Working with the Government and Infrastructure Australia to ensure the new priority list will take an emphasis on urban and outer-urban connectivity through public transport minimum service levels.
- Working with the industry, State and Local Governments to assist in the development of bus based infrastructure projects to submit to Infrastructure Australia for consideration.

- Making the Fringe Benefits Tax Reform the first step in delivering the full recommendations of the Henry Review of Taxation, including the overhaul of the road pricing system to include distance, location and mass charging and congestion charging in our cities.
- Working with the Government to develop further avenues for investment in public transport including incentives for the upgrade of the bus fleet and the adoption of environmentally beneficial technology by the bus industry.