Federal Budget 2020-21

Summary of Transport-Related Funding Measures

The 2020-21 Budget delivers a significant increase in total land transport funding for both Queensland and Australia

Queensland Outcomes

- ✓ The Federal Government has announced c. $1.3 billion in funding for new transport projects in Queensland as part of its Job-Maker plan. This accounts for c. 20% of the $6.4 billion in funding for new transport projects announced nationally
- ✓ $100.5 million Black Spot Projects over the 2020-21 to 2023-24 period, accounting for c. 20% of total Black Spot Project spending over the forward estimates.
- ✓ $2.6 billion in total land transport spending in Queensland for 2020-21, up substantially from $1.7 billion in total spending in the 2019-20 budget. Total land transport spending for Queensland is budgeted at a very substantial $11.9 over the forward estimates.
- ✓ $187 million in Local Roads and Community Infrastructure spending in Queensland for 2020-21 out of a total of $924 million nationally (20.2%).
- ✗ While funding for land transport projects has substantially increased, the Federal Government has not provided a comprehensive list of projects to be funded. As a result we are unable to confirm that the funding will be directed to areas with the most urgent need.

National Outcomes

- ✓ The Government has increased total 10-year infrastructure by pipeline to $110 billion, up from $100 billion in the 2019-20 budget.
- ✓ Total land transport spending is forecast to grow to $9.2 billion in 2020-21, with land transport expected to continue to increase over the forward estimates to $12.9 billion in 2023-24. This amount is up substantially on the $6.6 billion in land transport spending budgeted for 2020-21 in the 2019-20 budget.
- ✓ $2 billion in funding for small-scale road safety programs, and an additional $1 billion for the Local Roads and Community Infrastructure Program nationally.
- ✗ The RACQ is disappointed there is no motoring taxation relief for Queenslanders. The RACQ and AAA have lobbied for the removal of the luxury car tax, and tariffs on vehicle imports.

RACQ Project Wins

- ✓ $750 million for the M1 between Loganholme and Nerang (Second M1 Stage 1)
- ✓ $112 million for Centenary Bridge upgrades
- ✓ $95 million for the Bruce Highway from Caloundra Road to the Sunshine Motorway
- ✓ $76 million for Riverway Drive Stage 2 in Townsville
- ✓ $50 million for the Beams Road Level Crossing overpass in Carseldine, Brisbane

RACQ / AAA Policy Wins

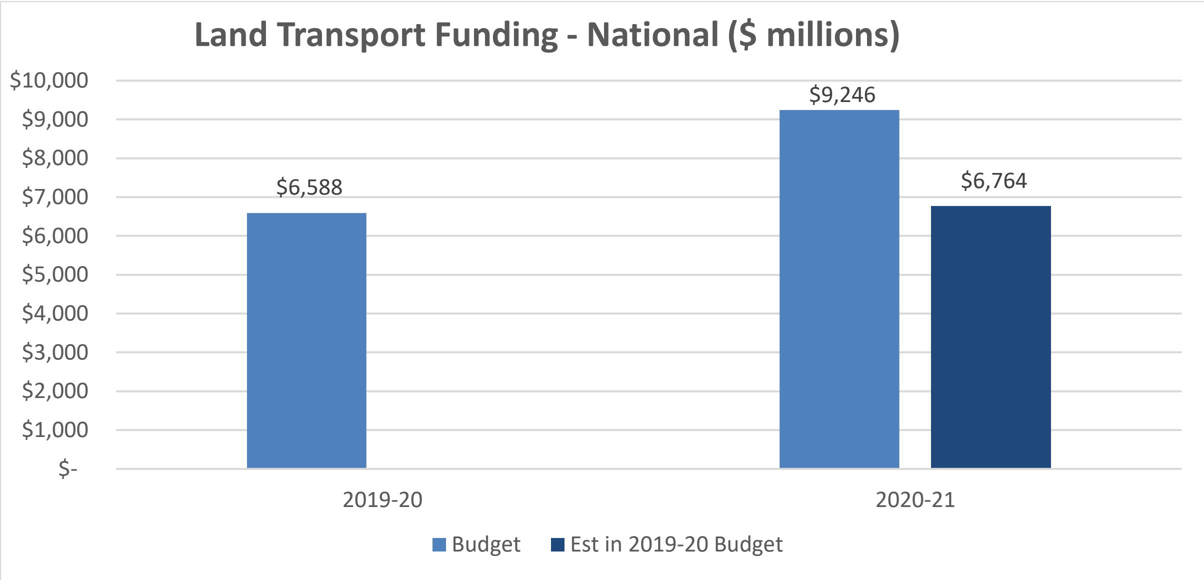
- ✓ $2.0 billion road safety fund for 2020-21 to 2021-22 operating on a ‘use it or lose it’ basis
- ✓ Strong focus on land transport infrastructure, with spending forecast to increase by $17.2 billion over four years
- ✓ Total land transport infrastructure spending budgeted to increase substantially as a percentage of net fuel excise revenue, reaching 100% by 2023-24

Land Transport Infrastructure Funding

National

The Australian Government is budgeting for total land transport funding of $9.2 billion in 2020-21, comprising $7.4 billion for roads and $1.9 billion for rail. This is a significant increase on the levels of funding laid out in the 2019-20 budget, which had been set at $6.6 billion and $6.8 billion for 2019-20 and 2020-21 respectively.

Figure 1: National Land Transport Funding 2019-20 and 2020-21



Source: Budget Paper 1 2019-20 and 2020-21

Total national land transport spending is budgeted to continue to increase over the forward estimates to a total of $12.9 billion in 2023-24, while Queensland's land transport funding is budgeted to peak at $3.3 billion in 2022-23 before declining slightly to $3.2 billion in 2023-24. The budgeted growth in land transport spending is significantly above what had previously been put forward in the 2019-20 budget, and indicates that land transport infrastructure spending is viewed as a major driver of the revitalisation of the Australian economy following the shock of the COVID-19 epidemic.

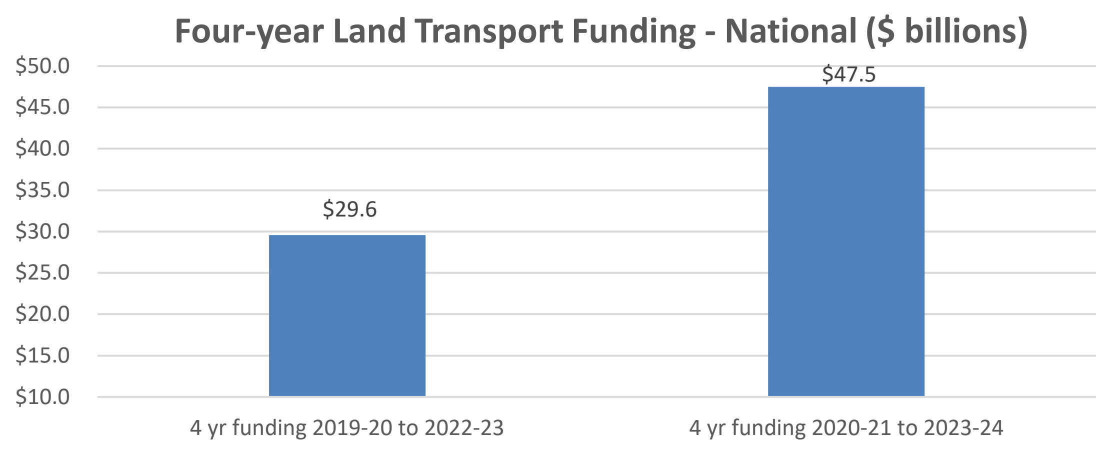
Table 1

Land Transport Funding ($ m)	2020-21	2021-22	2022-23	2023-24	Total
Queensland	$2,556.6	$3,173.0	$3,278.5	$3,154.0	$12,162.0
National	$9,847.7	$12,309.2	$12,593.9	$12,852.6	$47,512.1

Source: Budget Paper 1 2020-21, Budget Paper 3 2020-21

The four-year total for land transport infrastructure funding (2020-21 to 2023-24) is $47.5 billion, a significant increase over the $29.6 billion that had been budgeted over 4-years in the 2019-20 budget (see Figure 2).

Figure 2: Four-year National Land Transport Funding



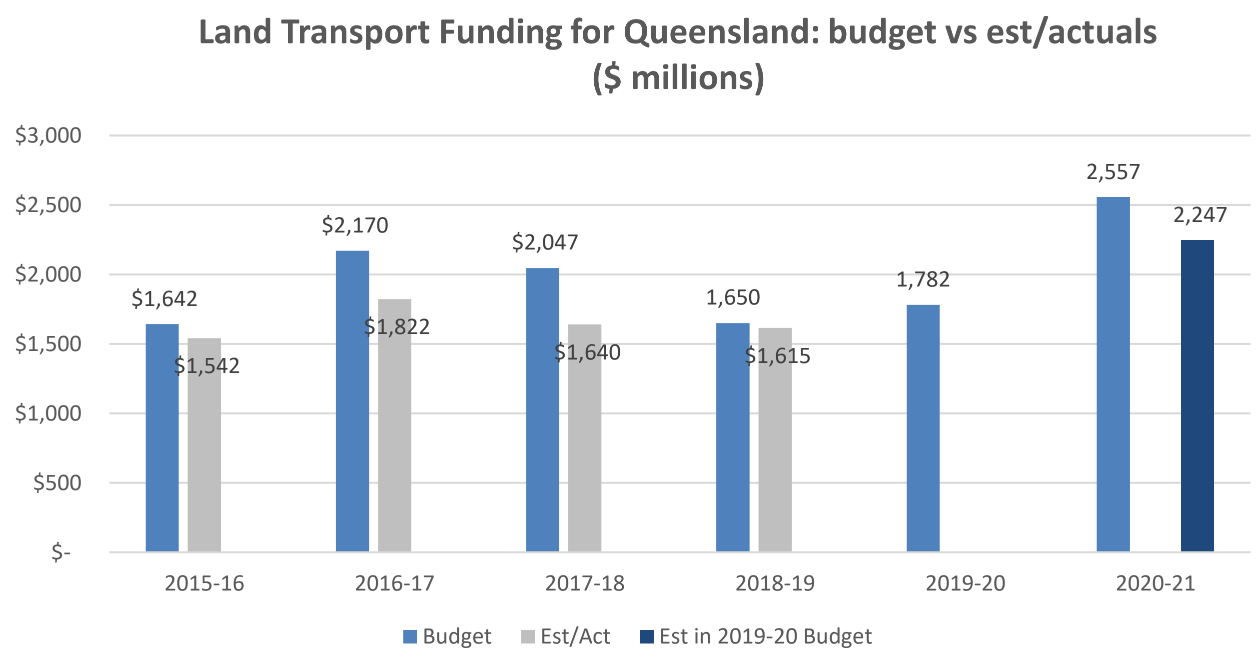
Source: Budget Paper 1 and 3 2019-20 and 2020-21

Queensland

Land transport funding for Queensland in 2020-21 is budgeted at $2.6 billion, up from $1.8 billion in 2019-20.

The budgeted expenditure for 2020-21 is more than $300 million above the levels of expenditure that had previously been laid out in the 2019-20 budget, with the high levels of transport infrastructure spending budgeted to be maintained across the forward period. This can be expected to allow a greater number of projects to be initiated than would otherwise have occurred.

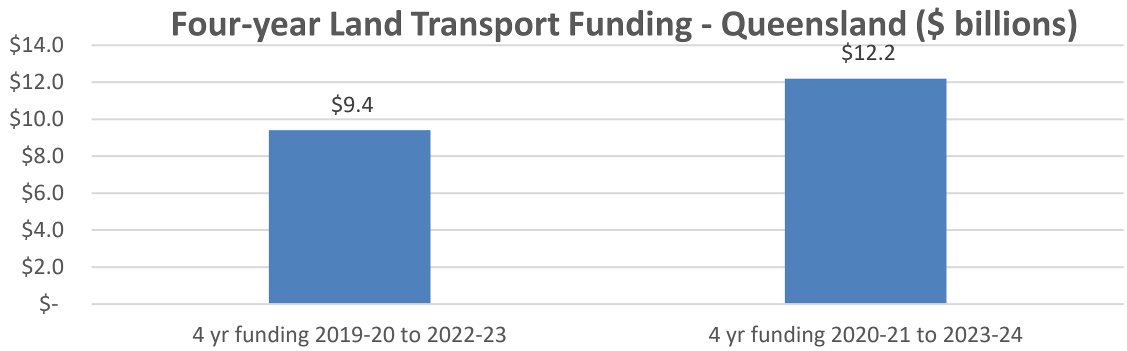
Figure 3: Queensland Land Transport Funding 2015-16 to 2020-2021



Source: Budget Paper 3 back to 2015-16 Road grants to local government included for 2018-19, 2019-20 and 2020-21

As shown in Figure 4, the four-year funding total for Queensland land transport in the 2020-21 Budget is $12.2 billion through to 2023-2024. This is $2.8 billion more than the four-year funding total in the previous Budget, which was set at a total of $9.4 billion from 2019-20 to 2022-23.

Figure 4: Four-year Queensland Land Transport Funding



Source: Budget Paper 3 2019-20 and 2018-19

An overview of State and Territory land transport infrastructure totals is shown in Table 2. In 2020-21 Queensland will receive the second highest funding allocation of any state or territory as a proportion of total spending. This is expected to increase across the forward estimates, with Queensland expected to receive the largest single portion of total land transport infrastructure spending over the 2020-21 to 2023-24 period at 25.60% of all funding. This funding share is significantly greater than Queensland's population share of 20.21%.

Table 2

Infrastructure Totals

	NSW ($m)[1]	VIC ($m)	QLD ($m)	WA ($m)	SA ($m)	TAS ($m)	ACT ($m)	NT ($m)	Total ($m)
2019-20	*1,827.5*	*1,165.4*	*1,781.8*	*921.2*	*634.7*	*148.8*	*38.7*	*235.7*	*6,753.9*
2020-21	3,038.3	1,775.2	2,556.6	1,183.6	726.2	264.0	61.4	242.4	9,847.7
2021-22	2,943.0	2,596.1	3,173.0	2,119.4	684.6	303.8	100.5	388.8	12,309.2
2022-23	3,119.7	3,028.8	3,278.5	1,910.7	478.2	413.6	92.1	272.3	12,593.9
2023-24	3,020.4	3,778.1	3,154.0	1,278.8	771.6	505.4	72.8	271.5	12,852.6
Grand Total (FY20-FY23)	12,121.2	11,087.2	12,162.0	6,492.7	2,660.4	1,486.7	327.0	1,174.9	47,512.1

Ratio of total spend

2019-20	*27.06%*	*17.26%*	*26.38%*	*13.64%*	*9.40%*	*2.20%*	*0.57%*	*3.49%*	
2020-21	30.85%	18.03%	25.96%	12.02%	7.37%	2.68%	0.62%	2.46%	
2021-22	23.91%	21.09%	25.78%	17.22%	5.56%	2.47%	0.82%	3.16%	
2022-23	24.77%	24.05%	26.03%	15.17%	3.80%	3.28%	0.73%	2.16%	
2023-24	23.50%	29.40%	24.54%	9.95%	6.00%	3.93%	0.57%	2.11%	
Ratio of total spend (FY20-FY23)	25.51%	23.34%	25.60%	13.67%	5.60%	3.13%	0.69%	2.47%	

Population	31.73%	26.13%	20.21%	10.34%	6.87%	2.11%	1.68%	0.93%	

[1] NSW funding includes funds allocated to the Western Sydney Infrastructure Plan, intended to enhance capacity and improve transport infrastructure in Western Sydney, including the infrastructure needed to support the new Western Sydney airport at Badgery's Creek

Funding budgeted to Queensland between 2019-20 and 2023-24 is itemised in Table 3. Funding for non-program related road transport projects represents the largest portion of total infrastructure spending across the forward period, accounting for $9.2 billion of the total $12.2 billion in spending budgeted from 2020-21 to 2023-24.

Table 3: Federal funding for Queensland land transport ($m)

Program	2019-20 Budget	2020-21	2021-22	2022-23	2023-24	4 Yr Total
Roads	1,190.4	1,778.6	2,283.7	2,520.5	2,615.5	9,198.3
Rail	48	155.8	186.0	209.8	97.7	649.5
Black Spot Projects	24.9	27.1	27.1	23.8	22.4	100.5
Developing Northern Australia - Improving Cattle Supply Chains	24.6	8.1	0.1	3.5	0.0	11.7
Developing Northern Australia - Northern Australia Roads	71.7	43.4	28.6	5.0	5.6	82.5
Heavy Vehicle Safety and Productivity	24.4	18.4	23.8	13.9	14.1	70.2
Roads to Recovery	101.7	121.8	102.4	102.4	99.7	426.3
Bridges Renewal Program	31.1	19.1	21.7	18.2	18.6	77.6
New Investments	1.1	0.0	0.0	0.0	0.0	0.0
Major Projects Business Case Fund	14	32.1	34.6	23.7	11.2	101.4
Roads of Strategic Importance	14.7	76.4	146.2	158.8	140.9	522.3
Urban Congestion Fund	161.8	88.2	202.2	198.9	128.3	617.6
Local roads & community infrastructure	73.4	187.6	116.4	0.0	0.0	304.1
Total $m	**1,781.8**	**2,556.6**	**3,173.0**	**3,278.5**	**3,154.0**	**12,162.1**

Source: Budget Paper 3 2019-20 and 2020-21

The Budget outlined more than $1.3 billion in new land transport projects in Queensland, including:

- $750 million for the M1 between Loganholme and Nerang (Second M1 Stage 1)
- $112 million for Centenary Bridge upgrades
- $95 million for the Bruce Highway from Caloundra Road to the Sunshine Motorway
- $76 million for Riverway Drive Stage 2 in Townsville
- $50 million for the Beams Road Level Crossing overpass in Carseldine, Brisbane
- $42 million for the Mt Lindesay Highway at Jimboomba
- $38 million for the Cooktown to Weipa corridor upgrade
- $86 million for Bruce Highway upgrades, including:
    - $38 million for the Burdekin Bridge upgrade;
    - $30 million for the Rockhampton Northern Access upgrade;
    - $16 million for the Cairns southern access corridor; and
    - $20 million for the Bruce Highway upgrade strategy.
- $10 million for Exit 45 of the M1 Pacific Motorway

Job-Maker

The Government has announced a Job-Maker program intended to support Australia's recovery from the COVID-19 epidemic. This program will include a total of $73.5 billion in spending over the 4 years from 2020-21, and will focus on 3 separate policy priorities:

i. Supporting aggregate demand to create jobs ($60.2 billion over 4 years)
ii. Supporting Australians back into jobs ($6.6 billion over 4 years)
iii. Supporting businesses to create jobs ($6.8 billion over 4 years)

Job-Maker encompasses a range of initiatives, of which expanding the Federal Government's instant asset write-off scheme and bringing forward previously legislated tax cuts form the largest component. However, the Federal Government has also sought to include increased investment in road infrastructure as a plank of the Job-Maker program. As a result, the Federal Government has announced a $2 billion dollar increase in funding for road safety and upgrades, and a further $1 billion dollars in funding to extend the Local Roads and Community Infrastructure program.

The road safety and upgrades program will focus on small scale road safety projects such as road widening, centre lines and barrier installation. Specific projects will be identified and delivered by jurisdictions in three six-month tranches. Funding for each tranche will be contingent on delivery success by state and local governments.

While a state-by-state breakdown of funding allocations for road safety upgrade funding has not been announced, Queensland has been budgeted to receive a total of $304 million in funding in 2020-21 and 2021-22 under the extended Local Roads and Community Infrastructure program.

Coomera Connector

The Coomera Connector is the largest component of new road transport funding for Queensland announced under the 2020-21 budget.

In the 2020-21 budget the Federal Government has committed to a total of $750 million in funding for Stage 1 of the Coomera Connector which will run between Coomera and Nerang.

Bruce Highway

The Federal Government has announced an additional $201 million in funding for projects on the Bruce Highway. This is in addition to the $731 million in funding that had been allocated to the Bruce Highway in the previous 2019-20 budget.

Projects along the Bruce Highway that will be funded under the 2020-21 budget include:

- Caloundra Road to Sunshine Motorway
- Rockhampton Northern Access Upgrade
- Burdekin Bridge Upgrade
- Babinda Intersection Upgrade
- Cairns Southern Access Corridor – Stage 4 – Kate St to Aumuller St, and
- The Bruce Highway Upgrade Strategy.

Roads of Strategic Importance

The Federal Government has not increased the funding allocation for the Roads of Strategic Importance (ROSI) initiative, which remains at a total of $4.5 billion over 12 years.

Queensland's budgeted allocation of funding under the ROSI initiative is $76.4 million for 2020-21 and a total of $522.3 million over the forward estimates. The 2020-21 budget did not allocate funding to specific ROSI projects, but previous budgets have indicated Queensland's allocation will be directed towards projects that include:

- Tennant Creek to Townsville Corridor
- Mount Isa to Rockhampton Corridor (including Yeppoon Road Duplication)
- Townsville to Roma Corridor
- Cooktown to Weipa Corridor
- Cairns to Northern Territory Border Corridor
- Toowoomba to Ipswich Corridor
- Toowoomba to Seymour Corridor
- Shute Harbour Road
- Quay Street Upgrade, Bundaberg
- Torbanlea Pialba Road Upgrade
- Bargara Road Upgrade, Bundaberg
- Urraween/Boundary Road Extension, Hervey Bay

- Isis Overtaking Lanes.

Urban Congestion Fund

The Federal Government has increased the funding allocated to the Urban Congestion Fund, with Queensland allocated to receive $88.2 million in funds for 2020-21 and a total of $617.6 million over the forward estimates, up from a 4-year budgetary allocation of $571.8 million under the 2019-20 budget.

No new projects to be funded by the Urban Congestion Fund were disclosed in the 2020-21 budget. Previously announced projects for the Urban Congestion Fund in Queensland include:

- Newnham Road—Wecker Road Intersection Upgrade, Mount Gravatt
- Chelsea Road—Rickertt Road Intersection Upgrade, Ransome
- Panorama Drive—Wellington St, Thornlands/Cleveland
- Youngs Crossing, Lawnton
- Gympie Arterial Road
- M1 Intersection Upgrades
- Beaudesert Road/Mt Lindesay Highway Corridor
- Barbour Road/Norris Road, Bracken Ridge
- Norris Road, Bracken Ridge
- Hoyland Street, Bracken Ridge
- Ipswich Motorway Corridor
- Commercial Road—Doggett Street Intersection Upgrade, Newstead
- Commuter Car Park Upgrades—Mango Hill and Ferny Grove
- Lindum Rail Crossing Upgrade (the Budget also allocated funding $400,000 in 2019-20 to undertake detailed design works on the Lindum Rail Crossing Replacement Project at Kianawah Road in Wynnum West)
- Indooroopilly Roundabout Intersection Upgrade
- Mooloolaba Access Upgrade.

Roads to Recovery

The Federal Government has allocated $121.8 million to Queensland in 2020-21 under the Roads to Recovery program, and a total of $426.4 million over the forward estimates. The Roads to Recovery program provides funding for road construction and maintenance projects at the local level, with decisions on projects to be funded made locally and then reported back to the Federal Government.

Major Project Business Case Fund

$32.1 million for Queensland in 2020-21 and $101.4 million across the forward estimates will be allocated to the Major Project Business Case Fund to develop business cases for major Queensland projects.

The budget did not provide detail around any new measures or programs to be undertaken under the Major Project Business Case fund. As a result, despite an increase in funding for Queensland relative to the 2019-20 budget it is not clear whether any new business cases will be allocated to the fund. Projects that have previously been announced as having their business cases funded by the Major Project Business Case Fund include:

- Toowoomba to Brisbane Passenger Rail Business Case
- Inland Rail Intermodal Terminal Business Case Brisbane
- Brisbane to Gold Coast Fast Rail Business Case
- Second M1 (Coomera Connector)
- Centenary Motorway Upgrade
- North Brisbane Bruce Highway Western Alternative
- Caloundra Road Network Planning Study
- Brisbane North-West Transport Corridor.

Comment	Land transport funding is up significantly both within Queensland and Nationally. Queensland received the highest funding allocation (25.6%) of any jurisdiction over the forward estimates, and also has the greatest level of allocation relative to population share among all states and territories. While the increase in land transport funding can be expected to drive strong economic outcomes as the nation recovers from the economic impacts of the COVID-19 epidemic it also represents a unique opportunity for Queensland to bring forward high priority projects. While only limited information around specific project funding was provided in the 2020-21 budet, RACQ should continue to advocate for its priority projects federally and at the state level.

Road and Vehicle Safety Funding

The Government has continued to fund critical road and vehicle safety infrastructure programs including Roads to Recovery, Black Spot Program, Keys to Drive, and Heavy Vehicle Safety and Productivity. The 2020-21 Budget confirms that these programs will continue through to 2023-24.

Roads to Recovery

The Federal Government has allocated $121.8 million to Queensland in 2020-21 under the Roads to Recovery program, and a total of $426.4 million over the forward estimates, up from $406.8 million in

4-year funding under the 2019-20 budget. The Roads to Recovery program provides funding for road construction and maintenance projects at the local level, with decisions on projects to be funded made locally and then reported back to the Federal Government.

Black Spot Program

The Federal Government's Black Spot Program aims to fund projects that improve the safety of road sites and that have been identified as high-risk areas for serious crashes. Funding is aimed at improving sites that have a record of at least three accidents involving casualties over a five year period and that can demonstrate a cost benefit ratio of over two.

The Budget includes $27.1.9 million for Queensland in 2020-21 and a total of $100.5 million across the forward estimates. This is the third highest funding allocation nationally after NSW and Victoria.

Heavy Vehicle Safety and Productivity

The Federal Government's Heavy Vehicle Safety and Productivity program aims to improve the safety and productivity of heavy vehicles through funding projects that improve the safety of the road environment, enhance the capacity of existing roads and improve connections to freight services.

The Budget allocates $18.4 million for Queensland in 2020-21 and a total of $70.2 million to Queensland over the forward estimates.

Bridges Renewal Program

The Federal Government is funding bridge upgrades across the nation. This program renews and replaces bridges serving local communities and facilitates higher productivity access.

The Budget includes $19.1 million in funding for Queensland for 2020-21 and a total of $77.6 million over the forward estimates. This is a decline from the $21.4 million budgeted for Queensland in 2020-21 under the previous 2019-20 budget, with the four year spend also having declined from the previous budget. No explanation around the reduction in funding has been provided.

Road Safety

As part of the Job-Maker program the Federal Government will be providing $2.0 billion in funding over the two years from 2020-21 to deliver small scale road safety projects to provide short term economic stimulus. Road safety projects such as road widening, centre lines, and barriers will be identified and delivered by jurisdiction ins in three six-month tranches to improve safety on Australian roads while stimulating local economies. Funding for each tranche will be contingent on successful delivery by state and territory governments.

In addition to the $2.0 billion in funding for safety initiatives the Federal Government will continue to fund other road safety programs including:

- $350 million for nation road network maintenance funding
- $7.3 million in funding over four years from 2020-21 for the implementation of the *Road Vehicle Standards Act 2018*, which will be fully cost recovered

- $5.5 million in funding over four years from 2020-21 to establish a National Road Safety Data Hub for analysis and evaluation of capability to support the next National Road Safety Strategy 2021-2030

- $2.0 million in 2020-21 for enhanced monitoring and analysis of voluntary vehicle recalls in Australia, including a strategic analysis of vehicle airbag safety.

Comment	The RACQ welcomes the Government's renewed focus on road safety, including the announced $2.0 billion in JobMaker funding for road safety initiatives. We believe the 'use it or lose it' rules around the JobMaker road safety funding will be effective in incentivising state's to move quickly to implement safety improvements, reducing injuries and fatalities on our roads.

Tax

Fuel Excise and Fuel Tax Credit Scheme

Fuel excise revenue is budgeted at $19.1 billion in 2020-21, down from realised fuel excise revenue of $19.5 billion in 2019-20. The decline reflects the impact of COVID-19 lockdowns and a weaker business environment, along with an expectation that demand for fuel will take some time to recover from the current downturn. The decline in fuel excise receipts is expected to be temporary, with total fuel excise revenue budgeted to rebound to $22.1 billion by 2023-24.

In 2020-21 the petrol excise component is budgeted at $5.5 billion, while Diesel is forecast to generate $11.9 billion in excise and $1.7 billion in excise will come from other fuel products.

The Fuel Tax Credit Scheme provides a rebate for fuel excise when fuel is used for business activities, machinery, equipment and heavy vehicles (over 4.5 tonnes gross vehicle mass).
The cost of the Fuel Tax Credit Scheme is expected to increase from $7.8 billion in 2020-21 to $8.9 billion in 2023-24. These figures represent a significant increase in the cost of the Fuel Tax Credit Scheme from the $7.3 billion the program cost during 2019-20, with this increase despite a reduction in business activity forecast over 2020-21.

Net fuel excise (total fuel excise less fuel tax credits) is expected to be $11.3 billion in 2020-21, down substantially from the $12.2 billion the scheme realised in 2019-20. Net fuel excise is forecast to increase by $1.9 billion over the forward estimates to reach $13.2 billion in 2023-24, with indexation and a recovery in demand for fuel products expected to be the primary drivers of the recovery.

Table 4 provides an estimate of how much Queensland motorists contribute to fuel excise revenue. The four-year petrol excise contribution from Queensland motorists totals approximately $4.8 billion.[2] This is substantially below the $5.4 billion we estimated in the 2019-20 budget and reflects lower levels of assumed fuel demand over the coming period due to the effects of a weaker Australian economy.

[2] It assumes a standard proportion of 20% of the national amount. Diesel excise is not included in the analysis because only 12% of passenger cars run on diesel.

Table 4: Fuel Excise Revenue from Petrol ($m)

Excise Revenue from Petrol	2020-21	2021-22	2022-23	2023-24	Total
National	5,500	5,850	6,200	6,500	24,050
Estimated QLD contribution	1,100	1,170	1,240	1,300	4,810

Luxury Car Tax (LCT)

Revenue from the LCT is forecast to decline from $632 million in 2019-20 to a budgeted $540 million in 2020-21. This decline is not expected to be recovered over the forward period, with LCT receipts in 2023-24 budgeted at just $580 million.

The decline in the LCT reflects an assumed 5.3% fall in 2020-21 with a flat 0.4% per annum recovery thereafter, with these declines driven by a reduction in the sales volumes of cars subject to the LCT.

Tariffs on Passenger Motor Vehicles

Import duties on passenger motor vehicles are forecast to trend downward due to the phasing-in of tariff cuts as part of free trade agreements, dropping from $310 million in 2020-21 to $80 million in 2022-23.

Petroleum Resource Rent Tax

The petroleum resource rent tax (PRRT) is a tax on profits generated from the sale of petroleum products including stabilised crude oil, natural gas, LPG, condensate and ethane.

PRRT receipts are forecast to decline slightly from $921 million in 2019-20 to $870 million in 2020-21 before remaining flat over the remainder of the forward estimates.

Comment

Collective motoring taxes are forecast to decline signifcantly in 2020-21 and remain subdued over the forward estimates, reflecting the ongoing impact of the COVID-19 epidemic on the Australian economy and broader levels of demand in both the business and household sectors.

With total revenues from motoring taxes forecast to remain subdued over the forward estimates and transport infrastructure spending budgeted to increase substantially in response to the economic impact of the COVID-19 epidemic, the percentage of net fuel excise invested in land transport infrastructure is expected to rise substantially to reach an unprecedented 100% by 2023-24.

The RACQ is disappointed there is no motoring taxation relief for Queenslanders. The RACQ and AAA have lobbied for the removal of the luxury car tax, and tariffs on vehicle imports.