

Tax White Paper Task Force
The Treasury
Langton Crescent
PARKES ACT 2600
Email: bettertax@treasury.gov.au



Monday, June 1, 2015

RE: Submission to Tax White Paper

Treasurer,

The Cycling Promotion Fund welcomes the opportunity to provide a submission to the Tax White Paper, 'Better tax system, better Australia'.

The Cycling Promotion Fund (CPF) is an initiative of the bicycle industry in Australia. Since 2000, when the CPF was established, it has undertaken a range of activities to promote cycling as an active transport solution that helps address climate change, improves transport congestion and public health, and makes our cities and urban areas more liveable and productive.

The Cycling Promotion Fund aims to ensure that cycling is a safe, popular and convenient activity for people of all ages. It is a fund based on voluntary contributions from bicycle industry and related companies, with membership open to any business that supports our mission and imports, manufactures or wholesales bicycle products, and/or provides services that make Australia a better place to cycle.

Working in partnership with many transport, health and planning sector organisations the CPF conducts significant national and Parliamentary events, sponsors and participates in research and promotion of best practice as well as participating in national forums that contribute to achievement of a more sustainable and liveable community through cycling.

In the following pages we provide proposals that focus on providing incentives for more Australians to undertake just a few of their daily short trips each week by bike. Increasing the participation in cycling provides broad benefits in health, social wellbeing, transport congestion and environment for all Australians.

Thank you for your consideration of our proposals.

A handwritten signature in black ink that reads 'Stephen Hodge'. The signature is written in a cursive, flowing style.

Stephen Hodge
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A Ride to Work Scheme

In Australia over 14,000 deaths are due to physical inactivity. While Australia is thought of as an active society, Australians struggle to find the time in their lives to participate in physical activity. Active travel, including cycling, is an efficient means of incorporating physical activity into daily lives as part of the daily trips to and from the workplace.

Physical inactivity contributes to almost one-quarter of the burden of cardiovascular disease in Australia (24%).

More than a third (36%) of Australians aged 15 and over do very little or no exercise at all. Since 2001, the proportion and number of Australians doing very little or no exercise has continued to increase¹.

These low levels of physical activity will drive up chronic diseases, including heart disease, type 2 diabetes and some cancers.

The Heart Foundation, with the Cycling Promotion Fund, supports the need for a national approach to get more Australians riding to work through an employer-provided cycle to work tax incentive scheme. The scheme is an incentive that allows employees to salary sacrifice the purchase of a commuting bicycle and safety equipment (helmet, lights, lock, luggage carrier, rain and reflective apparel) up to a reasonable set amount of \$1,500 every three years.

A corrective measure

This incentive has a broad and beneficial impact in key health, transport and environment areas. As such, the proposal for a tax incentive is to be provided as a corrective measure that has quantifiable health benefits and also environmental, social, economic and congestion benefits when a reduction in costs of motorised passenger transport, reduction or delay in demand for new road and parking infrastructure and improvements in traffic management are taken into account.

In addition, while a ride to work scheme mirrors similar incentives available to other modes of daily transport, it can assist in the offset of some of the disbenefits of those modes, such as sedentary behaviour, air pollution and traffic congestion.

There are several international examples which demonstrate the impact of cycle to work schemes. UK data shows that 67% of participants would commute by car if they did not cycle to work and 54% said they did not cycle to work before signing up to the scheme².

Female participation in the Ride to Work scheme in the UK is significantly higher than the norm at more than 22%.

After nine years of operation in the UK, the majority of more than 550,000 scheme participants to date are those that pay the basic tax rate (lower income group).

More than thirty five thousand employers have been part of the scheme to assist their employees cycle to work under the scheme in the UK. 57% of the employers were small or medium enterprises, with less than 200 employees. These bikes have been bought from more than two thousand independent bicycle retailers.

The economic benefits of such a scheme provide significant societal improvements with minimal direct taxation revenue impact.

¹ Australian Bureau of Statistics, Australian health survey: physical activity, 2011-12

² 2013 Cycle to Work Alliance report: http://www.cycletoworkalliance.org.uk/news_41_2538974460.pdf

Employee engagement and prolonged behavioural change

UK data shows that the labour retention rate is much higher among scheme participants than the average due to the benefits provided by the employer and the loyalty engendered by the long term nature of the agreement.

In the UK significant numbers of participants still cycle to work on their bike up to 9 years later – cycling to work on average three to five times each week.

In the 2013 Cyclescheme survey of participants who joined between 2005-2012, in response to the question 'Are you still cycling to work on your Cyclescheme bike?' 83% of respondents (n=12,589) responded 'yes'³.

Broad support – an opportunity for change

This proposal is low cost, popular, effective and simple. It is broadly supported by the national bicycle sector and national peak groups in the medical and chronic disease prevention sector.

Australian national opinion surveys indicate that there is significant unmet consumer demand to cycle more often and that commuting by bicycle is already increasing significantly in many of our capital cities.⁴

More than 80% or 5.5 million Australian workers between the ages of 25 to 54 support the implementation of a financial incentive to get more people to ride to work⁵. The support by workers for the implementation of financial incentives was unanimous across all key demographic factors, including age, gender, income levels and educational attainment.

When posed with the question of whether they would like to cycle to work, more than one in three Australian workers aged 25 to 54, or 2.45 million would like to start riding to work. Workers who were more likely to report the desire to ride to work were males, between the ages of 25 to 34, and those who currently catch the train or bus to work.

There are an estimated 750,000 workers who currently do not own a bike that would like to start to ride to work.

International experience indicates the scheme works equally well with large employers in urban or regional centres with 1-5,000+ employees to micro businesses in regional or remote areas with just a few staff.

The opportunity to significantly increase the numbers of people riding to work can be seen in the change already under way in this country. Australian cycling mode share is above 20% in some inner city areas in Melbourne, Sydney and Brisbane.

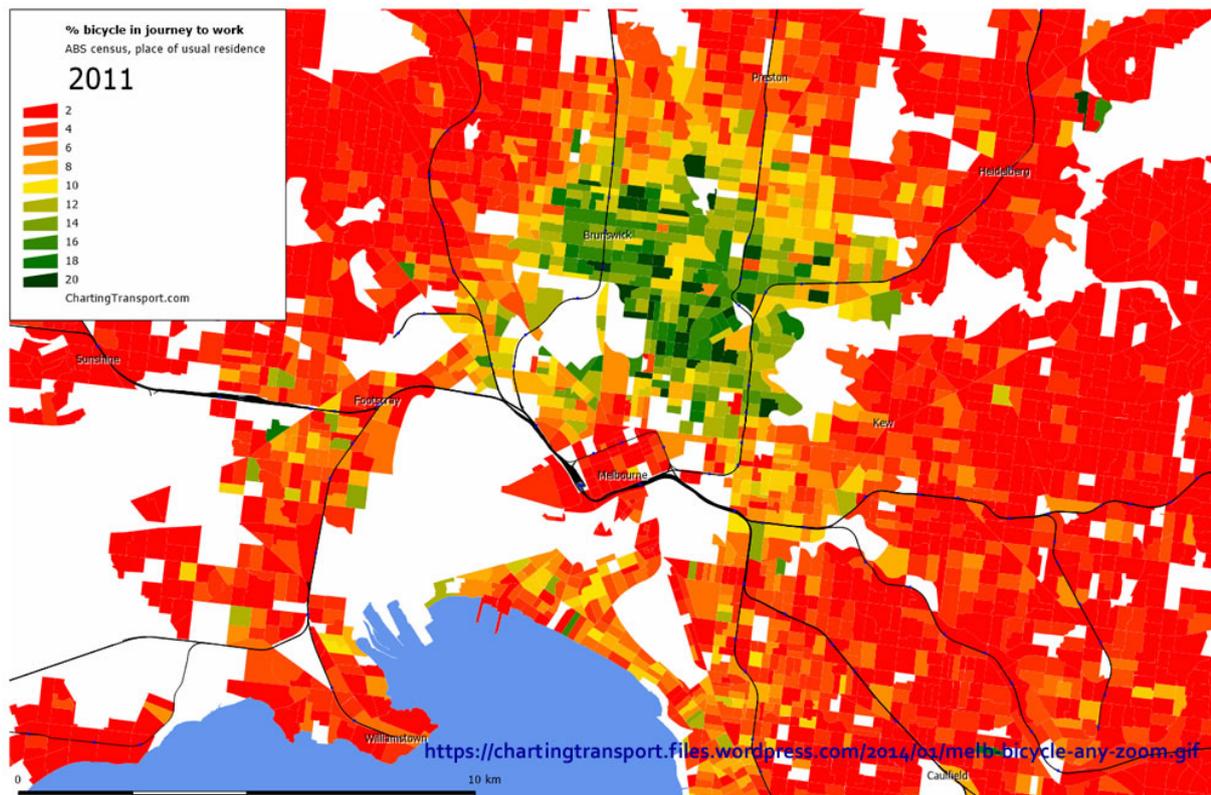
³ personal communication from Cyclescheme Product Manager, Jeremy Pesad, 1 June 2015.

⁴

http://www.cyclingpromotion.com.au/images/stories/MediaReleaseDocs/CyclingPromotionFund_Riding_a_Bike_for_Transport_Survey_Report_2011.pdf

⁵ <http://www.heartfoundation.org.au/SiteCollectionDocuments/FinancialIncentivestoRidetoWorkSurvey-October2014FINAL.pdf>

Fig 1 – Per cent bicycle trips in Melbourne - 2011 Census journey to work data



Above: 2011 Census data showing bicycle % mode share of 20-30% in some areas.⁶

User experience - vignettes

Several case studies and personal stories are included in the Appendices. They include company case studies and testimonials, as well as personal stories from Australians about why they cycle to work.

Specifically, appendix:

- #1—Cambridge University Hospitals Trust; started scheme in 2009, 6,000+ employees (case study)
- #2—Sellafield energy utility; started scheme in 2007, 9,500+ employees (case study)
- #3—GE Capital; started scheme 2011, 1,200 employees (testimonial)
- #4—Jaguar Land Rover UK; started ~2010, quote (testimonial)
- #5—TBC; a personal view on cycling to work in Melbourne (vignette)

(The CPF is in currently collecting additional personal stories and will provide those vignettes to the Tax White Paper at a later date.)

Pilot

With some of the most intransigent health status and disadvantage indicators reflecting poorly on regional populations, we also submit that a pilot program should be funded to test this program in a range of regional centres.

(The CPF will provide further information to the Tax White Paper on a Cycle to Work Incentive Scheme Pilot at a later date.)

⁶ <https://chartingtransport.files.wordpress.com/2014/01/melb-bicycle-any-zoom.gif>

THE UK SCHEME (Cycle to Work)

In the UK, the scheme allows an employee to salary sacrifice the purchase of a bicycle and safety equipment, such as a helmet and lights, up to a capped value without incurring a taxable benefit. The employer enters into an agreement to buy the bike, which the employee pays back through a fixed term salary sacrifice arrangement. The residual is fixed at 'fair market value' that can be paid out by the employee to acquire ownership.

Particular benefits + 'qualifying use'

If an employer lends or hires bicycles or cycling safety equipment to employees the benefit of this is exempt from income tax if the following conditions are satisfied;

- The bicycles or equipment are available to all employees should they wish to participate, and
- The employee must use the bicycle or equipment mainly for qualifying journeys. 'Qualifying journeys are those between home and the workplace and may include multiple modes such as bicycle and public transport.

Detailed records are not required to be kept for the purpose of fulfilling the qualifying journey test. The test is satisfied unless there is clear evidence to suggest that less than half the use is for qualifying journeys.

The definition of the permitted safety equipment includes mandatory items required by law; bells and a conforming helmet and lights for cycling after dark and other safety apparel and luggage carrying items like a rack and pannier bags, mudguards, a lock and reflective apparel.

Not included in this definition are items such as cycle computers, other clothing items not related to safety or cycle training.

Employers may choose to provide the benefit of a loaned bicycle by way of a pool of bicycles that are made available to one or more employees. Pool bikes should be available to those employees who wish to use them and there would need to be sufficient numbers of bikes to allow free access to those that wish to use them.

An employer may offer the bicycle through a salary sacrifice arrangement, and may need to enter into a hire agreement with the employee.

(after HM Revenue & Customs 'EIM21664 - Particular benefits: exemption for bicycles')⁷

The Cycle to Work scheme has led to increases in riding to work, business investment in complimentary 'end-of-trip' cycling facilities (showers, change rooms, secure bike lockers etc.), a reduction in greenhouse gas emissions, increased levels of physical activity and an increase in recognition of the value of 'active travel'.

Commercial operations have grown to service the demand in the UK from both employers and employees to take advantage of the incentive and start riding to work.

⁷ <http://www.hmrc.gov.uk/manuals/eimanual/eim21664.htm>

The UK Cycle to Work incentive has been evaluated and shown to have had lasting impacts in the numbers of people riding to work and carbon emissions benefits. It was maintained by the incoming Conservative Coalition Government despite broad budget cuts in most other areas.

As of March 2015, up to 7% of the population cycle to work in the UK, compared to less than 2% across Australia, and more than 38,000 employers and more than 500,000 employees have participated in the Cycle to Work Scheme, which shows the vast number of organisations and individuals that are seeing the benefits of cycling to work⁸.

Legislative background

The scheme is underpinned by UK tax legislation: 'EIM21664 - Particular benefits: exemption for bicycles'⁹, and 'Cyclists - provision of certain benefits'¹⁰. The UK Department for Transport information on the scheme is here: <http://www.dft.gov.uk/pgr/sustainable/cycling/cycletoworkguidance/>.

The 2013 survey found that approximately 550,000 people have benefitted from the cycle to work scheme in the UK and Ireland though the four Cycle to Work Alliance members¹¹.

44,599 employees and 1,233 employers took part in a survey regarding the scheme in the UK and Ireland in 2011¹².

The health benefits were a huge success with the scheme with 87% of participants noticing their health improving (Increased fitness; weight loss; improved mental health, wellbeing and happiness); 84% of users rated the scheme as an important and easy way to keep fit and 97% of businesses think that the scheme is an important way to encourage a healthy workforce.

The environmental benefits were also extensive with current users of the scheme saving 133,442 tonnes of CO2 per year (extrapolated figure).

The UK Cycle to Work Scheme has been in existence for ten years and overall, is seen to be a success. The survey found that 61% of people did not cycle to work before they signed up to the scheme and 70% classed themselves as either novice or occasional cyclists.

76% of participants stated they would not have bought their bicycle if it had not been offered it through the cycle to work scheme; 73% of respondents declared that the savings they were offered through the scheme were the most important factor in their decision to take part; and 98% of respondents said they would encourage other colleagues to take part in the cycle to work scheme.

⁸ <http://www.cyclescheme.co.uk/files/Cyclescheme-10-10-Report.pdf>

⁹ <http://www.hmrc.gov.uk/manuals/eimanual/eim21664.htm>

¹⁰ <http://www.hmrc.gov.uk/payex/a-z/c/cyclists.htm>

¹¹ http://www.cycletoworkalliance.org.uk/news_41_2538974460.pdf

¹² <http://www.cycletoworkalliance.org.uk/images/BehaviourImpactAnalysisFeb2011.pdf>

Benefits and cost to revenue in Australia

The cost of the scheme should be capped at \$1,500 per person every three years if adopted in Australia. The accessibility of the scheme and attraction for all income groups is evident with experience from the UK showing that lower band wage earners (gross earnings of less than £31,865—excluding a tax free allowance of £10,000) make up 73% of scheme participants.

In the UK 55% of participants did not cycle to work prior to joining the scheme. This represents a strong rationale for believing that the scheme could result in significant behaviour change in this country.

The direct revenue forgone is offset to some extent by an increased level of industry activity as new cyclists purchase bicycles and employers support the choices of their employees by investments in end of trip facilities in the workplace.

Through a simple comparison with the UK based on a direct comparison of population where the UK has 64 million inhabitants (2013) and Australia has 23 million, based on 2011 sales figures, it would provide an increase of 51,000 (11% increase) in bicycles sales through independent bicycle retailers.

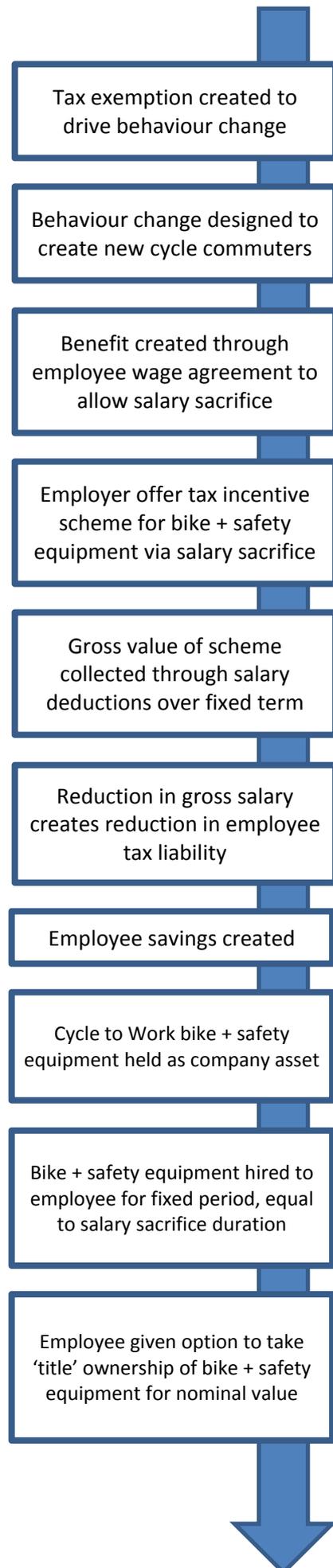
The UK scheme has taken several years to mature and now in its tenth year of development and operation, the current annual cost to the UK Government of the tax incentive is approximately £44million annually.

Evidence shows regular bike commuters in the scheme take on average one less day sick leave each year saving UK business £83m a year¹³. The more employees that ride to work, the healthier the community and the more money that will be saved in healthcare costs.

Conclusion:

The scheme is not the answer to the physical inactivity/obesity challenge, but is one way of providing a modest incentive to change travel mode with multiple co-benefits across government, the community and the health system.

The Cycling Promotion Fund and the Heart Foundation recommend that the government adopts the Cycle to Work scheme and include it in the tax white paper.



¹³ http://www.ctc.org.uk/sites/default/files/file_public/economy1frv.pdf

APPENDIX #1

The client

Cambridge University Hospitals NHS Foundation Trust (CUH) is one of the United Kingdom's 79 NHS Foundation Trusts. It runs Addenbrooke's Hospital and the Rosie Hospital and has over 6,000 employees. Cyclescheme started working with the trust in 2009; the most recent scheme ran in 2013.

The matter

The hospital was keen to support sustainable means of transport along with promoting a healthy lifestyle. To help achieve this they decided to run a cycle to work scheme that would offer employees tax-free bikes.

With some employees unable to access the internet they needed a provider with the resource and experience to process paper Certificates.

Implementation

Following a set of agreed Service Levels and supporting functions; the scheme was promoted using events, e-campaigns and utilising company communications.

The Hospital has always been supportive of the scheme and continues to invest in infrastructure that will support those cycling to work. A 110-space bicycle park for Addenbrooke's staff has been opened as the trust campaigns to promote healthy lifestyles. Located in Richard Howe Way, opposite Barton House, the facility is covered, lit and with staff swipe card access. The Cambridge Biomedical Campus now has 2,436 spaces in total.

The results

- Uptake: 8.73 %
- Total Certificates issued: 524
- Paper Certificates issued: 427
- Total value of Certificates issued: £312,113
- Average Certificate value: £596.00

Trust chair, Jane Ramsey, who cut the ribbon with chief executive, Dr Keith McNeil, said: "Already a third of our staff travel to work by bicycle and I hope that more staff will now be encouraged to do so." Dr McNeil added: "We are absolutely committed to enabling our staff as possible to use a sustainable means of transport such as cycling to work."

6,000 employees

8.73% uptake

Avg. Cert. value: £596.00

"Already a third of our staff travel to work by bicycle and I hope that more staff will now be encouraged to do so." Dr Keith McNeil

"We are absolutely committed to enabling our staff as possible to use a sustainable means of transport such as cycling to work." Dr Keith McNeil

APPENDIX #1

Sellafield 2012

Scheme Background

Sellafield have just over 9,500 employees all on one site in Seascale, Cumbria.

We launched the first scheme in 2007 and due to the success we have continued to run campaigns each year since then.

We wanted to expand our employee benefits package, taking into account some of the growing external issues such as climate change and the scheme helps in terms of encouraging employees to cycle rather than drive to work. As well as the environmental and health benefits cycling brings, we chose to work with Cyclescheme as the style of the scheme compliments our Socio-Economic Policy in terms of working with independent shops, supporting the local community.

Scheme Administrator Comment

We run one campaign per year and incorporate the finance charge in the monthly employee deductions. This works well in terms of being able to provide an employee benefit, which is essentially cost neutral to the company but

provides many savings for our employees. In addition to the way we run our scheme, the online application system, dedicated portal, bespoke promotional material and support at our employee road shows ensures an efficient and effective service, which we are extremely happy with.

We are really pleased to see the launch of the Bike Miles Scheme, which allows our employees to continue benefiting after joining the Cycle to Work scheme. It is flexible enough to allow pro's or less experienced cyclists to maximise their savings during the life of their cycle.

Participant Comment

The cycle to work scheme is a fantastic way to purchase a bike and safety equipment in order to promote the health and environmental benefits of regular exercise. The system is very easy to use and because of the savings it encourages people who would not normally cycle to take the plunge and buy a better quality bike with the cost spread over a year.

2012 Scheme Summary

- 550 issued certificates
- Total Value £460,143.18
- Average certificate value £771
- 5.84% take up
- Employer NIC savings based on 13.8% = £63,499.76
- Number of car journeys replaced / month: 8,800
- Tonnes of CO2 saved / month: 28.385
- Calories burned / month: 4,561,920
- Number of equivalent cheeseburgers: 12,037

APPENDIX #3



GE Capital

We have been running the Cycle to Work Scheme for the last 3 years, across all our UK sites. This was a part of our employee health & wellbeing drive as a leading global business. With nearly 1200 people taking up the benefit, the results have been fantastic, seeing year on year increases in participation. The benefit is a seamless process from start to finish with tax and NI advantages for both the employee and Company.

Michelle Newton

European Benefits Specialist
European Compensations & Benefits COE
GE Corporate

APPENDIX #4



Jaguar Land Rover have been running the Cycle to Work scheme for over five years across our UK locations. As a global business, it is one of the key elements of our voluntary benefits offering and has had a positive impact on health, well-being and employee engagement. It has produced fantastic results with year-on-year increases in participation.

Sarah Lambert

Performance Reward and Engagement Manager
Jaguar Land Rover