1 June 2015

Tax White Paper Task Force

The Treasury

Langton Crescent

PARKES ACT 2600

Submitted via [www.bettertax.gov.au](http://www.bettertax.gov.au)

Dear Sir / Madam

**RE: Re:Think**

On behalf of the South Australian Freight Council’s (SAFC) Membership I thank you for the opportunity to comment on *Re:Think*, the government’s tax discussion paper and precursor to a Taxation White Paper.

SAFC is the State’s peak, multi-modal freight and logistics industry group that advises both the Federal and State governments on industry related issues, and is funded by both governments and industry. SAFC represents road, rail, sea and air freight modes and operations, freight services users and assists the industry on issues relating to freight logistics across all modes.

As the discussion paper notes, Vertical Fiscal Imbalance (VFI) is a prominent feature of the Australian federation’s tax and expenditure structure. This means that while the Commonwealth has the greater ability to generate tax revenue, the states (and local governments) have the greater expenditure requirements; necessitating a transfer of funds from the Commonwealth to lower levels of Government. This is particularly true with regards to transport infrastructure.

For transport and transport infrastructure related expenditure, transfer occurs through an almost bewildering array of grant programs, special purpose grants, specific project funding etc. Looking at *just* road-related transfer programs, there is the Black Spots program, the National Stronger Regions Fund, the ‘Roads to Recovery’ program, Bridges Renewal Program, Heavy Vehicle Safety and Productivity Program, the ‘Investment Road and Rail’ program, Highways Upgrade program and local government funding programs; plus various transport innovation funding programs.

It should be noted that *the Commonwealth owns no roads*, and thus all funding provided for this purpose is spent by lower tiers of government. In general, SAFC believes that there would be benefit in reducing the number of grant programs, and providing more direct funds to the States, Territories and Local Councils to spend on the most pressing regional concerns, rather than those projects that best fit into one (or more) of the myriad funding programs.

On the revenue side, SAFC agrees that there is merit in the Commonwealth collecting many taxes for and on the behalf of the states, particularly when taxing mobile tax bases. This helps prevent state based ‘tax competition’ – such as that which occurs with payroll taxes.

One possibility for improvement is Fuel tax (discussion paper section 9.2), levied by the Commonwealth. SAFC agrees that this is the appropriate methodology for *receiving* this revenue. However, there is an opportunity for the revenue generated to be distributed to the states and territories (who have the road management expenditure requirement) directly, rather than through the current plethora of grant programs. This should be distributed to the state or territory in which it is generated. Bulk purchases (other than those intended for fuel stations) should have revenue directed based on the delivery location. Thus fuel imported into the Port of Melbourne and delivered to a major user in the south east of South Australia (for example) would have revenue directed to South Australia. This would result in a fair and equitable distribution of revenue, based on the jurisdiction in which it will (most likely) be used, and allow expenditure to be directed to roads in that jurisdiction.

Another possibility for improvement is a single national registration scheme for trucks. Currently each state and territory has its own scheme, plus the Federal Interstate Registration Scheme (FIRS). Whilst there have been previous attempts at harmonisation there have been deviations in recent times which have distorted the registration marketplace. A single national system, with revenue collected by the Commonwealth and distributed directly to the States would remove the possibility of ‘shopping around’ for the best registration ‘deal’, and deliver a nationally consistent and level playing field.

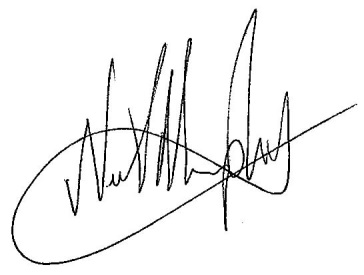
The Australian Taxation system is also capable of using ‘levers’ to generate beneficial externalities for the community. SAFC believes that the Commonwealth should introduce an Accelerated Depreciation for Freight Vehicles Scheme (principally trucks and locomotives) similar to the system that existed for commercial motor vehicles prior to repeal in 2014[[1]](#footnote-1). The aim of such a system is to bring forward the replacement of obsolete equipment (which will likely deliver operational, safety and environmental benefits). Australian flagged shipping vessels already receive some accelerated depreciation tax advantages[[2]](#footnote-2).

Australia’s trucks are (on average) old, and getting older. The ABS Motor Vehicle Census 2014 reveals that the average age of Articulated Trucks is 11.4 years (up from 10.7 years in 2009) Heavy Rigid Trucks is 15.6 years (up from 15.4 years in 2009) and light rigid trucks is 11.1 years (up from 10.9 in 2009). The average age of Australia’s locomotives (since purchase or rebuild) is just over 11 years, however there are very significant numbers in the 16 – 35 years old category (just over one third of the entire fleet).

When applied to freight vehicles, an accelerated depreciation scheme would deliver valuable benefits to Australian society. New trucks are required to conform to higher emissions standards (Euro V or VI engines), offering environmental benefits through lower greenhouse gas emissions. When multiplied across Australia’s entire heavy vehicle fleet, the emissions improvements would be considerable, and put Australia well on the way to achieving carbon reduction targets. New vehicles also contain the latest and most up-to-date safety technology (often *exceeding* Australian Design Standards), reducing the incidence of casualty and serious injury crashes – or put more simply, reducing the road toll.

Should you wish to discuss any aspect of this submission, or require clarification of any matter raised, feel free to contact me by telephone on (08) 8447 0688 or Email: [murphy.neil@safreightcouncil.com.au](mailto:murphy.neil@safreightcouncil.com.au).

Yours faithfully



Neil Murphy

Chief Executive Officer

SA Freight Council Inc

1. Via the *Minerals Resource Rent Tax Repeal and Other Measures Act 2014* [↑](#footnote-ref-1)
2. Lloyds List Australia, April 10 2014 *Coastal Shipping Reforms – A summary* [↑](#footnote-ref-2)