

AUSTRALIAN BICYCLE COUNCIL SUBMISSION TO REVIEW OF AUSTRALIA'S FUTURE TAX SYSTEM

The Australian Bicycle Council

The Australian Bicycle Council (ABC) is the national body that manages and coordinates implementation of the Australian National Cycling Strategy 2005 - 2010. The ABC membership includes representatives of federal, state and territory agencies, local government, the bicycle industry and user groups.

National Cycling Strategy

The Australian National Cycling Strategy 2005-2010 (NCS) was endorsed by transport ministers through the Australian Transport Council in December 2005. The NCS is a coordinating framework identifying responsibilities that lie with the various governments of all spheres, community and industry stakeholders to encourage and facilitate increased cycling in Australia. It sets out actions, with targets, timeframes and resources that will ensure the continued growth of this important component of Australia's transport system.

General Benefits of Cycling

The ABCs stated vision is "more cycling, to enhance the well-being of all Australians". There are three main benefits of cycling as a transportation option; these include reduction of urban congestion, increased health of the community and environmental benefits.

Urban congestion

The Australian Bureau of Infrastructure, Transport and Regional Economics estimated that the 'avoidable' cost of congestion to the Australian economy will be \$20.4b annually by 2020. A cyclist travelling to work uses only a fraction of the road space and is therefore an effective decongestant for clogged urban streets.

Health

Physical activity is an important part of overall health promotion and disease prevention. The World Health Organisation recommends at least 30 minutes of regular; moderate-intensity physical activity on most days will reduce the risk of cardiovascular disease and diabetes, colon cancer and breast cancer. A simple way of fitting physical activity into a demanding lifestyle to derive these health benefits is to ride a bicycle to work, or for other short trips e.g. to school.

Obesity is currently estimated to cost Australia more than \$20b a year or about \$1,000 per person. This cost estimate will grow if the estimated 20% of Australian children who are currently overweight or obese continue to remain so. The reduction in preventable diseases such as heart disease, by the inclusion of regular moderate exercise, like cycling, would also create savings in the Australian health budget and save employers the cost of increasing sick leave and revenue loss due to lost time.

Environment

A major challenge currently facing Australia is greenhouse gas emissions; per capita greenhouse gas emissions in Australia are the highest of any OECD country. The Australian transportation sector has the third highest greenhouse gas emissions, after stationary energy and agriculture. Over 50% of the emissions from the transportation sector are from local passenger vehicles for personal transportation e.g. cars and motorbikes.

World wide greenhouse gas emissions, specifically the carbon dioxide (CO₂) emissions released from burning fossil fuels increased 20% between 2000 and 2006. This is a far higher rate of increase than was predicted by the Intergovernmental Panel on Climate Change in 2000. According to the International Energy Agency, transportation activities are responsible for 20% of the world's CO₂ emissions which are a major factor contributing to global warming.

Increasing cycling, especially as a viable transport option and providing incentives to employers to enable their staff to cycle commute would help reduce greenhouse gas emissions and the subsequent degradation to Australia's natural environs.

Regulatory, taxation and fiscal impediments to increasing cycling

One of the priority actions (action1.9) from the NCS is to investigate and report on regulatory, taxation and other fiscal impediments to increasing cycling. As a minimum the tax system should be neutral with regard to peoples' choice of their means of personal transport. There is, however, considerable scope to use tax system to promote and encourage the adoption of more sustainable transport options of which cycling is but one.

Fringe Benefits Tax – private use motor vehicles

The current operation of Fringe Benefits Tax (FBT) in relation to private use vehicles is a serious anomaly which encourages private vehicle use over other forms of transport. The weekly value of private use vehicles as part of salary packaging is the highest mean value per week of any salary sacrifice arrangements available. The statutory formula method of determining FBT liability is adopted by many employers because of its simplicity. This method provides a strong incentive for employees to drive more kilometres per annum to decrease the FBT liability incurred due to the stepped scale of FBT according to distance travelled. See Table 1 below:

Table 1: Car fringe benefits statutory formula rates

Total kilometres travelled during the year	Statutory percentage
Less than 15,000	26%
15,000 to 24,999	20%
25,000 to 40,000	11%
Over 40,000	7%

(Source: ATO website)

Take as an example an employee provided by the employer with a work motor vehicle with private use component included as part of a salary package using the statutory formula; the employee will have to chose between adopting a sustainable transport option such as cycling or public transport vehicle and using the motor vehicle. There is strong financial incentive to use the private use vehicle rather than other forms of transport. Depending on the kilometres travelled and the cost of the vehicle the financial 'penalty' for not maximising the kilometres travelled can be many thousands of dollars. This is a serious disincentive and seems illogical at a time when government is proposing the introduction of far reaching economic reforms to reduce greenhouse gas emissions.

The current operation of the statutory formula in the calculation of FBT in relation to private use motor vehicles needs to be reviewed and revised to remove this anomaly. Its removal would eliminate what is considered to be the greatest taxation disincentive to increasing cycling and the greater use of other forms of more sustainable transport.

Application of FBT to cycling incentives

Currently, if an employer is to promote more sustainable transport options by their workforce, for example through provision of bicycles with a private use option then FBT will apply. FBT will also apply to the ancillary components of a well managed bicycle fleet program; such as health checks, risk management and training programs. The application of FBT to these arrangements provides an identifiable disincentive to employers introducing them.

Consideration should be given to the removal of FBT where cycling is promoted by employers as a means of encouraging more widespread application of sustainable transport options.

Application of FBT to other forms of more sustainable transport

FBT also applies to public transport travel to and from work paid for by the employer via salary packaging, such as the provision of annual travel cards. This form of encouragement of sustainable travel may be more suitable for employees that live greater distances away from the work place.

Consideration should also be given to the removal of FBT where more sustainable transport options for travel to and from work, such as public transport, are subsidised or fully reimbursed by employers as a means of encouraging more widespread application of sustainable transport.

Other taxation based incentives to promote cycling and sustainable transport

There are a number of other initiatives which could be introduced to promote sustainable transport. While some of these are in areas currently the responsibility of state and territory governments they should be considered as part of the overall taxation review.

Motor vehicles taxes and charges should promote more fuel efficient vehicles

The Australian Capital Territory has recently introduced a method of calculating stamp duty based on the 'green credentials' of the vehicle. Under the Green Vehicles Duty Scheme, all new light vehicles have a Green Vehicle Rating of A, B, C, or D, on which duty rates are based. A better environmental choice by the purchaser provides a cheaper rate of stamp duty. The ACT Green Vehicle Rating is based on a combination of two environmental ratings from the Commonwealth Green Vehicle Guide: the greenhouse rating, based on a vehicle's carbon dioxide emissions, and the air pollution rating, a measure of noxious pollutants that reduce our air quality.

The French have gone even further to introduce a "feebate", or tax incentive where a bonus is given to the purchaser of a vehicle for buying a low carbon emitting car, the lowest emitters rebate is 5,000 €. This system encourages car buyers to make greener purchase choices. According to official figures, sales in France of vehicles consuming less than 130 g/km CO₂ increased 45% in the eight months since the scheme was introduced. In that time, average CO₂ emissions from new cars sold fell by 9% (8 g CO₂/km).