



QTO-05416

14 AUG 2009

Mr Paul French
Co-convenor
Central Business District Bicycle Users Group
GPO Box 2104
BRISBANE QLD 4001

Dear Mr French

I refer to your letter of 30 April 2009 addressed to the Honourable Andrew Fraser MP, Treasurer and Minister for Employment and Economic Development, proposing that the Government abolish the Queensland fuel subsidy and redirect the scheme's funding to cycling, walking and public transport infrastructure and I have been asked to respond on his behalf.

As you are no doubt aware, we are currently facing the worst global economic conditions since the Great Depression. It was not of our making, but the effects are being felt right here and we must deal with them.

The global recession has created a \$15 billion hole in the State's Budget over four years as revenues from GST, royalties and transfer duties are much lower than anticipated. To put this into context, \$15 billion is about one-third of the State Government's entire annual Budget.

These times require tough decisions to keep Queenslanders in jobs and continue to build the vital infrastructure we need.

As part of the State Government's response to these unprecedented economic conditions, on 2 June 2009, the Renewing Queensland Plan was announced. The Plan included the abolition of the Queensland fuel subsidy from 1 July 2009. The decision to discontinue the subsidy was not one the Government took lightly.

The subsidy was due to cost the Queensland Government \$582 million in 2009-10 and \$594 million in 2010-11, rising to \$612 million in 2011-12. In the current economic climate the fuel subsidy is a luxury we can not afford.

It is anticipated abolishing the subsidy will provide a Budget saving of around \$2.4 billion over the next four years. As the Government would need to borrow the funds necessary to keep the fuel subsidy going, its abolition will also save taxpayers approximately \$300 million in interest payments over the next four years.

The Renewing Queensland Plan will enable the Government to deliver on its commitments to maintain jobs during an economic downturn including:

- a massive \$18.2 billion capital works program in the 2009-10 Budget which supports 127,000 jobs and builds the schools, hospitals and roads the community needs now and in the future;
- a payroll tax initiative in 2009-10 that will allow employers who hire an apprentice or trainee to receive a further rebate of 25 per cent of their apprentice and trainee wages off their pay-roll tax for another employee; and
- \$57 million to create 3,000 jobs over the next three years through a Green-Army that will work on projects that enhance our State's natural assets, strengthen tourism and promote environmental awareness.

The Plan plays a key part of the State Government's responsible plan to chart the Budget back to surplus and restore our AAA credit rating. But above all else, it is about protecting Queensland jobs, and ensuring we keep building Tomorrow's Queensland, so we emerge from these tough times stronger, not weaker.

Given the fiscal position and outlook, the abolition of the fuel subsidy does not provide surplus funds for re-allocation. For the reasons outlined above, it is not feasible to support your proposal to redirect fuel subsidy scheme funding to provide cycling, walking and public transport infrastructure over and above that already planned as part of the Government's existing capital program.

I can assure you that the Government remains committed to the provision of cycling and pedestrian facilities. As you would no doubt recognise, prior to 1991, there were no major cycleways in South East Queensland. Since then, high quality cycleways have been established including the Bicentennial, Western Freeway and South East Freeway Bikeways.

Against a challenging budget outlook, the Government allocated \$25 million in the 2009-10 Budget towards the construction of cycle links to enhance the cycle network in South East Queensland and is committed to providing further funding for future cycle network enhancement into the future.

Thank you for bringing your organisation's views to the Government's attention. I trust the above information is of assistance.

Yours sincerely



Sharon Humphreys
Principal Advisor