



## More Fuel Tax Increases!

After 13 years of being held static at 38.143 cents per litre, fuel excise commenced increasing again on November 10 last year. Changes indexed to the Consumer Price Index (CPI) are to be made every six months, with the GST further adding to the cost of a litre of fuel. The Government states that not indexing the excise has eroded the tax base - had it continued, excise would have been 55 cents per litre by now. They also argue that it may have had the effect of encouraging people to buy or keep less fuel efficient cars. But is increasing excise the best solution for road funding? The US state of Oregon doesn't think so!

In 2001, Oregon created the Road User Fee Task Force to investigate options for creating a sustainable way to support the road system. After in-depth research and exploration of options, the group spearheaded two pilot projects to enable Oregon to lead the way on an issue of concern to other states, the federal government and other countries. The focus now is OReGO, a program that creates a new way to fund road maintenance and improvements. OReGO volunteers pay their road usage charge based on how many miles they drive, instead of the fuel tax. The OReGO road usage charge is set at 1.5 cents per mile. Volunteers will get a credit on their bill to offset the fuel tax they pay at the pump, with a choice of three private and secure mileage reporting options offered by OReGO's private-sector partners. The first phase of OReGO is limited to 5,000 cars and light commercial vehicles, and begins on July 1 this year. See <http://www.myorego.org/> for more information.

Oregon looked at raising the fuel tax (like we are) but noted that this method fails to create a long-term and sustainable solution to the problem. New federal fuel economy standards require new vehicles to get 54.5 mpg or greater by 2025. As consumers continue to buy high-mpg vehicles, they buy less and less fuel and the fuel tax revenue continues to dwindle. Their solution, OReGO, seeks to establish a fair and sustainable solution to the problem that closely follows Oregon's long-standing "user pays" principle.

The new program applies only to light vehicles. They claim that heavy vehicles loaded to the maximum legal weight do about 8,000 times more road damage than standard passenger cars. Oregon's heavy vehicles pay a weight-mile tax based on the number of axles, vehicle weight and number of miles driven. They also state that the impact on roads created by regular cars and light trucks—from small compacts to large pickups—is practically the same across the board. Thus it would not be fair to charge drivers of large cars a higher fee than drivers of small cars because the difference of road impacts is very small—in fact, it is barely measurable. This contrasts with some Australian jurisdictions that factor a car's weight into registration fees!

Owners of historic vehicles will also fare better under this new program, as the road user charge for (as an example) a 1959 Cadillac, will be the same as a new small electric vehicle. Under fuel excise taxes, historic vehicle owners will pay an increasing penalty as they are 'left behind' by the increasing fuel efficiency of new vehicles. People who can't afford a new efficient vehicle will similarly not be penalised.

So would this work here? For an Australian perspective on the issue, local infrastructure provider Transurban has produced the following video : <https://www.youtube.com/watch?v=VfKIV-SDO6k>



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