Streets People Love Hobart

Submission to the Productivity Commission - ***Pillar 5:*** *Investing in cheaper, cleaner energy and the net zero transformation*

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Prepared by SPLH members
Endorsed and submitted by Mark Donnellon

Contact [REDACTED]

This submission includes contributions from professionals working in a volunteer capacity for Streets People Love Hobart. The views expressed are those of Streets People Love Hobart as an organisation and do not represent the positions of contributors' employers.

Thank you for the opportunity to contribute ideas for the interim report: ***Pillar 5:*** *Investing in cheaper, cleaner energy and the net zero transformation*

Streets People Love Hobart is a community-led initiative organised by a passionate group of local advocates. Our mission is to engage people and advocate for streets that prioritise people, safety, and sustainability. We believe Hobart deserves vibrant, welcoming spaces where everyone can connect, move, and thrive. (We also believe that applies equally to all cities and towns across the nation!)

We understand the interim report has been created to help generate solutions to counter Australia's falling productivity, focusing broadly on three recommendations: reducing the cost of meeting emissions targets, speeding up approvals for new energy infrastructure and addressing barriers to private investment in adaptation.

Our ideas are focused on transport and placemaking, which is in the national interest, is fiscally responsible (likely to be budget positive) and practical. We also consider they will help ensure "*a more dynamic and resilient economy*" – with the ultimate goal being to improve the quality of life for all Australians.

Chapter 1 - Reducing the cost of meeting emissions targets

We agree that government should make more consistent and comprehensive incentives to reduce emissions. Our nation s road transport emissions have grown more than any other sector, increasing nearly 60% since 1990 (Australian Government 2017) and accounting for 21% of Australia s overall emissions[1]. This makes the transport sector the third largest source of Australian emissions.

Australia s per capita transport emissions are higher than those of most other countries due to our inefficient road passenger, rail, and bus transport systems. This has resulted in Australia s per capita road transport emissions being 45% higher than the OECD average[2]. Light duty vehicles (cars, utes, vans) are the main cause of these emissions[3]. Most cars, utes and vans are driven relatively short distances[4] and the majority of Australians continue to drive to work[5]. Without change, the transport sector is projected to be the largest source of emissions by 2030.[6]

We are pleased the interim report acknowledges there is an urgency to transition our transport system away from high carbon emitting to a zero-emission system. We feel though that it has limited its scope to electric vehicles, however there is significant benefits from a comprehensive combination of interventions. There is a transport equity crisis across many regional and peri-urban areas, and therefore an urgent need for safe infrastructure for increased use of active and public transport systems. We make the following additional recommendations to help achieve this.

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1 DCCEEW (2023) *Australia s emissions projections 2023*, p 52, https://www.dcceew.gov.au/climate-change/publications/australias-emissions-projections-2023

2 Climate Council Australia. 2017, *Transport emissions: driving down car pollution in cities. Climate Council of Australia.*

3 In 2020, cars and light commercial vehicles accounted for 58 Mt of emission, from a total of 93 Mt. DCCEEW (2023) *Australia s emissions projections 2023*, p 53.

4 Bureau of Infrastructure, Transport and Regional Economics (BITRE) (2014) *Who s using the roads: variations in usage by drivers*, https://www.bitre.gov.au/publications/2014/is_053

5 ABS (2021) Australia's journey to work.

6 DCCEEW (2023) *Australia s emissions projections 2023*, p 20.

**As written* Draft recommendation 1.3*

Additional to the options presented for new emissions-reduction incentives, such as phase-out of Fringe Benefit Tax incentives for electric vehicles, we advocate for the removal of fuel tax credits for businesses that use vehicles on non-public roads (mining companies, agricultural businesses). These fuel tax credits are forecast to rise from $10.7bn this year to $13.1bn in 2028-29[7]. The budget notes that they expect an increase in fuel use over the coming four years[8]. We consider this to be a perverse outcome, as the credits are effectively creating a disincentive to switch from fossil fuels to electric-powered (or lower emission) machinery and vehicles. Therefore, the fuel tax credits should be phased out, so there is a levelling of the incentives.

**New* Draft recommendation 1.5 - Increase funding allocation for active transport to 10% of road/rail budgets by 2030, and 20% by 2035*

The over-reliance on a transport system powered by fossil fuels has resulted in harm to people s health and the environment. The costs of road congestion are the most significant component of transport costs impacting users and the economy of Australian cities. This is a legacy of decades of road expansion, encouraging vehicle use, whilst neglecting public transport networks, bicycle and walking infrastructure.

While quantitatively very small relative to the cost of road congestion, public transport crowding is a major and likely growing challenge for Australia s largest cities. By 2031, the forecast total annual cost of road congestion is estimated to be $39 billion, with public transport crowding at $837 million[9].

We note the Federal funding allocation of $17.1b for road and rail construction over the coming decade (to 2035-26)[10]. However funding for the Active Transport Fund over the coming 4 years (to 2028-29 FY) is $100m, which equates to 1.2% of the roads budget (based on road funding over equivalent four year time period). International best practice is for at least 10% of road-related funding be allocated to active transport, with the UN recommending 20% allocation[11].

If a 10-20% allocation were implemented, it would equate to $1.7-$3.4b invested over the coming decade for active transport. Economic benefits of this investment (such as reduced health costs, reduced congestion, property value

7 Commonwealth Government, *2025-26FY Budget, Budget Paper No. 1, Statement 5: Expenses and Net Capital Investment,* Table 5.3.2 - Top 20 programs by payment, page 120 - note that this is the 18th highest expenditure program by Australian Government.

8 ibid, Refer figures for Fuel Tax Credits Scheme in Table 5.12.1 on page 136, and notes below.

9 Infrastructure Australia, *Urban Transport Crowding and Congestion The Australian Infrastructure Audit 2019 Supplementary report*, section 2.2, page 6 - https://www.infrastructureaustralia.gov.au/sites/default/files/2019-08/Urban%20Transport%20Crowding%20and%20Congestion%20%28Lower%20Resolution%29.pdf

10 Commonwealth Government, *2025-26FY Budget, Budget Paper No. 1, Statement 1: Budget Overview,* page 29 - https://budget.gov.au/content/bp1/download/bp1_bs-1.pdf

11 Adhikari, A, Ryan, M and Harrington, M, The Australia Institute, *Proactive investment: Policies to increase rates of active transportation* (2024), page 2-3, 27 - https://australiainstitute.org.au/wp-content/uploads/2024/10/Policies-to-increase-rates-of-active-transportation.pdf

uplift) are estimated to be 5:1, suggesting an economic boost of $8.5-17.0b to the nation's economy[12].

These benefits will also spread to those who most require alternative transportation options, such as those on lower income who can be forced to spend a disproportionate amount of their income on car ownership and maintenance[13].

**New* Draft recommendation 1.6 - Remove exemption for utility vehicles (aka utes) from Luxury Car Tax*

While the Treasury annually calculates the cost of other tax exemptions, such as the exemption of fresh fruit and vegetables from GST, there is no government measure of the cost or distributional impact of the ute exemption. Publicly available data indicates that a considerable number of utes are likely exempt from LCT each year, notably many of the 2023 best-selling utes have model variants whose cost exceeds the LCT threshold (such as the Ford Ranger and Toyota HiLux).

Currently the Commonwealth Government forgoes at least $250 million in tax revenue (2023 value) by allowing large, expensive utes to be exempt from the Luxury Car Tax[14].

If this revenue were entirely reallocated to the Active Transport Fund it could potentially increase it by up to tenfold, from the current $100m over the coming 4 years (to 2028-29 FY) to $1bn. However, it is likely the removal of the tax incentives would lead to a decline in large ute sales, so the net result would be less than $1b. It would still be positive for reducing greenhouse emissions, as many of those needing a vehicle would be selecting a more appropriate size for their business needs.

We have no comments on Chapter 2, as it falls outside our group's core advocacy scope.

Chapter 3 - Addressing barriers to private investment in adaptation

We agree with the underlying analysis and key recommendations of this section. We have also considered the recommendations of peak professional bodies, and have used these to complement the proposals in the interim report. We believe the following interventions are compelling in terms of making Australia more liveable in the coming decades.

We feel the sub-heading "Australians need resilient housing" could be improved by broadening it to "Australians need resilient cities and regional centres". This acknowledges the significant

[12] Queensland Department of Transport and Main Roads (2023); *Queensland Cycling Infrastructure Investment Strategy and Business Case 2016–2026* - https://www.tmr.qld.gov.au/travel-and-transport/ cycling/cycling-investment-in-queensland

[13] Currie, G., Delbosc, A. and Pavkova, K., 2018, October. *Alarming trends in the growth of forced car ownership in Melbourne*. In Australasian Transport Research Forum.

[14] Thrower, (2024) The Australia Institute, *Luxury Car Tax and the ute loophole* - https://australiainstitute.org.au/report/luxurycar-tax-and-the-ute-loophole/ - Author calculates a LCT payable of about $321 million, this is adjusted down to 'over $250 million 'to ensure figures are highly conservative and to account for lack of data on proportion of sales of each variant/trim, which would affect the cost of the car. For instance, the 2024 Ram 1500 TRX Final Edition (4x4) is priced at $249,950 before on-road costs, and avoids more than $50k in tax due to its exemption from LCT.

role that all three tiers of government have in planning, designing and maintaining the infrastructure that services and integrates with housing.

**As written* Draft recommendation 3.3*

Within the section under sub-heading “Address resilience of the existing housing stock”, we suggest adding:

Urban biodiversity and active transport corridors should be integrated into cities and towns (both existing and planned), and align with blue-green infrastructure. Such measures will significantly enhance transport choice, environmental resilience, help mitigate flooding risk and reduce urban heat[15].

**New* Draft recommendation 3.5 - establish a Federal Government Architect of Australia*

As the built environment undergoes rapid decarbonisation, there is an urgent need for a shift in policy to focus not just on the verification of end-building products, but also on the front-end design process and urban interventions. To ensure the success of retrofits and adaptations, a higher level of expertise from design professionals is essential.

Establishing a Federal Government Architect of Australia would provide the federal government with a powerful mechanism to coordinate policy, drive national scale innovation, and ensure that taxpayer dollars are invested in resilient, high-impact public infrastructure[16]

**New* Draft recommendation 3.6 - Strengthen the National Urban Policy to include a spatial strategy and infrastructure plan for managing population growth.*

Australia s cities and regions are experiencing rapid population growth, placing significant pressure on housing, infrastructure and services. While the new National Urban Policy is a positive step in the Australian Government's leadership on urban challenges, Australia needs a clearer spatial strategy to guide where and how growth occurs.

A cohesive national spatial strategy and infrastructure plan will ensure growth is well managed, equitable and sustainable. Without coordinated planning, we risk worsening housing shortages, congestion and reduced liveability.[17]

**New* Draft recommendation 3.7 - Link infrastructure funding to alignment with the National Urban Policy and National Housing Accord objectives.*

Under the National Urban Policy, the Australian Government has already committed to a review of existing urban funding to identify opportunities for more integrated, strategic, urban investment and planning. Expanding this to explicitly link national infrastructure funding to projects that support and advance the objectives of the National Urban Policy and National Housing

[15] Climate and Health Alliance, 2023, C*learing the air - Transport decarbonisation and health - a rapid evidence review*, pages 8-10, 26-27

[16] Architects Institute of Australia - 2025 Australian Federal Election Priorities. Suggested to be part of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA).

[17] Planning Institute of Australia - Planning for a Better Future - Federal Election Priorities 2025

Accord will ensure better alignment between funding decisions and the delivery of these key national priorities.

Appropriate levels of infrastructure investment prioritising residential apartment buildings and   missing middle” housing will result in more affordable housing outcomes. Investment in sustainable and climate resilient communities will result in smaller operating carbon footprints of our cities.

We trust our recommendations are able to be integrated by the Productivity Commission into the final report.

Yours sincerely

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Mark Donnellon

President,
Streets People Love Hobart