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Dear Treasurer,

The Australian Automobile Association (AAA) thanks you for the opportunity to make a further pre-budget submission, in addition to our submission from December 2019, ahead of the 2020-21 Federal Budget to be delivered on 6 October 2020.

The AAA is the peak organisation representing Australia's motoring clubs and their eight and a half million members. The AAA advances the interests of its constituent motoring clubs as well as all road users across Australia to ensure transport is safe, sustainable and fair.

The AAA and its member clubs appreciate the enormous health, social and economic challenges that Australia is managing as a result of the COVID-19 pandemic. As the government looks to post-COVID economic recovery, the AAA believes the transport and infrastructure sector can and should play a central role in stimulating the economy, and building a safer, more efficient nation.

The Commonwealth is a significant funder of infrastructure that is built, owned and operated by state, territory and local governments, and the AAA has long advocated for the Commonwealth to require its funding of infrastructure projects be used to ensure road safety is prioritised and road trauma reduced.

The AAA's *Incentivising Safety* policy (**attached**) details how federal funding can be utilised to improve state road safety performance. The policy proposes the apportioning of a \$400 million annual Regional Road Incentive Fund which would be available to state and territory governments that appropriately report on National Road Safety Strategy commitments.

The AAA believes the *Incentivising Safety* policy meets a number of the economic objectives recently outlined by the Australian Government.

The Australian Government has announced major reforms to Commonwealth-state relations with the creation of a National Federation Reform Council with National Cabinet at its centre. As part of this reform, the Prime Minister has confirmed the Australian Government wants greater transparency and greater value for money when providing funding to state and territories. The Prime Minister has specifically earmarked infrastructure and transport as an area in need of reform.



The *Incentivising Safety* policy provides the Government with a relatively simple mechanism through which it can require greater transparency of data reporting and road safety outcomes from states and territories, ultimately helping to achieve a reduction in road trauma.

The Prime Minister has also flagged that transport and infrastructure will be a central pillar of Australia's job creation agenda and economic recovery. As part of the AAA's *Incentivising Safety* policy, the \$400 million annual Regional Road Incentive Fund will be available to state and territories to fund road safety treatments on regional roads. The safety treatments envisaged include shoulder sealing and widening, roadside barriers, line marking and rumble strips and are expected to create local jobs in regional areas.

In 2018, 65 per cent of road fatalities occurred in regional and remote areas, equating to a fatality rate of 10.4 deaths per 100,000 population for regional and remote areas, compared to 2.2 deaths per 100,000 population in metro areas. We know that most jurisdictions have identified shovel-ready road safety improvement projects waiting to be funded, capable of quick rollout and delivery. The injection of an extra \$400 million per annum (equivalent to a hypothecation of approximately 1c per litre of fuel excise collected) would allow for the upgrade of many thousands of kilometres of regional roads each year and provide much-needed economic stimulus and job creation.

Thank you again for the opportunity to provide this further pre-budget submission.

Yours sincerely



Michael Bradley
Managing Director

Encl. AAA Incentivising Safety policy

INCENTIVISING SAFETY

HOW FEDERAL FUNDING CAN IMPROVE STATE ROAD SAFETY PERFORMANCE

DRAFT PROPOSAL

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Introduction

On average road trauma in Australia hospitalises 100 Australians every day, kills 100 Australians every month and costs our economy \$30 billion every year.

This AAA policy aims to define the Federal Government's leadership role in reducing Australian road trauma by incentivising state and territory governments to report on agreed road safety actions, while creating jobs through more accountable Commonwealth infrastructure investment.

The Australian Government has announced major reforms to Commonwealth-state relations with the creation of a National Federation Reform Council with National Cabinet at its centre.

As a part of this reform, the Prime Minister has confirmed the Australian Government wants greater transparency and greater value for money, when providing funding to states and territories. He has specifically earmarked infrastructure and transport as a key area in need of reform and as being a critical plank of National Cabinet's job creation agenda in response to the economic and social impacts of the COVID-19 pandemic.

Ahead of the new National Road Safety Strategy (NRSS), to be signed by all governments in early 2021, the Australian Automobile Association (AAA) is proposing the Australian Government takes this opportunity to introduce a new program that rewards states and territories that appropriately deliver and report on their commitments to reduce road trauma within their respective jurisdictions.

The proposal

A \$400M Regional Road Incentive Fund to:

- › Incentivise state and territory governments to report on road safety actions agreed in the National Road Safety Strategy and improve transparency
- › Improve accountability & value for money for Commonwealth infrastructure investment
- › Create jobs through enhanced Commonwealth infrastructure investment in road safety treatments on regional roads

The background

There were 1,194 road deaths in Australia in 2019, representing a 5.3 per cent increase from 2018. The current NRSS signed in 2011 by federal, state and territory transport ministers, lists 33 key performance indicators. The NRSS expires this year and it is evident that about half of the Strategy's targets will be missed, with several safety measures worse today than they were when the NRSS was agreed in 2011.



The failure of the NRSS to achieve its targets is best characterised by 8 of the 33 key performance indicators for which – at the end of a decade long Strategy – there are still no targets set, or for which there is still no monitoring. This includes one of the Strategy’s headline targets – a 30 per cent reduction in serious injuries – which still cannot be measured nationally due to jurisdictional data discrepancies. This demonstrates the lack of urgency or priority that road safety has been afforded.

The NRSS lacks transparency and accountability and is symptomatic of a broader acceptance of failure across all signatory jurisdictions. Released in August 2019, the Australian Government’s Review of National Road Safety Governance Arrangements, found there was a pressing need for the Australian Government to play a stronger role in road safety.

The AAA strongly endorses this view and strongly endorses the Australian Government’s decision to establish a national Office of Road Safety. While state and territory governments register cars, licence drivers, develop and enforce road rules, and build and maintain our roads, the various efforts being made to reduce Australia’s road trauma need to be coordinated, reported, and able to be compared, benchmarked, and improved.

Government responsibilities

The AAA believes it is the role of state and territory governments to manage the use, maintenance and enhancement of each jurisdiction’s roads and traffic system. And state and territory governments are responsible for developing, implementing, and enforcing most road safety policies agreed to under the NRSS, to achieve road trauma reduction targets.

However, a far greater degree of Federal leadership is required if these state actions are to be reported, shared, compared, and used to improve national performance.

The Australian Government currently plays two significant roles in national efforts to reduce road trauma:

1. The Commonwealth is a significant funder of infrastructure that is built, owned, and operated by state, territory, and local governments.

In 2016–17, the Commonwealth contributed almost 20 per cent of total land transport investment. This investment is delivered via National Partnership Agreements, city deals and project-specific agreements, as well as program funding such as Black Spot, Roads to Recovery and Bridges Renewal.

The criteria used to prioritise this expenditure include:

- › Improved reliability/amenity
- › Improved safety
- › Additional/increased active transport
- › Commuter time savings
- › Leisure time savings
- › Freight/business time savings
- › Reduced Vehicle Operating Costs
- › Improved Freight and Business Productivity
- › Job creation (construction and operations)

The safety criteria relate specifically to the number of crashes, serious injuries and fatalities that are predicted to be avoided, which can also be quantified using objective measures such as AusRAP or ANRAM.

However, funding recipients are only compelled to maintain records of fatal and injury crashes for Black Spot projects and details of safety benefits are not always required to be reported, nor made publicly available.

2. The new federal Office of Road Safety oversees the development of Australia's National Road Safety Strategy and coordination between the states and territories.

The federal Transport Minister chairs the Transport & Infrastructure Ministers' Council (TIC), which is the body with ultimate responsibility for endorsing and tracking the NRSS. While TIC views an annual "NRSS Statistical Progress Report", this doesn't go beyond mere reporting of statistics. Neither TIC nor the Office of Road Safety possesses capacity to ensure the specific actions that jurisdictions have agreed to implement, and targets they have pledged to achieve, are in fact delivered.

The AAA wants to see the traditional roles of Commonwealth, state and territory governments in road safety maintained, but as a matter of priority, also wants formal linkages built between the Commonwealth's role as the funder of infrastructure and coordinator of the NRSS. Currently these activities are undertaken separately, however the AAA believes there is great opportunity to leverage the Commonwealth's role as infrastructure funder to provide transparency, accountability and the incentives for action that are currently missing.

The Solution

Road trauma reductions depend upon enhanced transparency and accountability, which can be delivered via Australian Government leadership in the form of:

Strategy

A new NRSS containing clear actions, measurable targets, timelines, and reporting obligations.

Data

The Office of Road Safety as a Data Hub (as recommended by the Commonwealth's own 2018 Inquiry into the NRSS) to collate and publish nationally consistent information on road safety including:

- › **Casualty crashes** – type of crash, location of crash, persons involved (age, sex, type of road user), number and severity of injuries, vehicle model/s and safety features, contributing factors (eg speeding, alcohol, drugs, fatigue, distraction, seat belt use)
- › **Road infrastructure** – type/characteristics/speed limits of infrastructure, safety rating (AusRAP or ANRAM), traffic volume of different vehicle types and vulnerable road users, vehicle kilometres travelled, travel speeds by location
- › **Vehicles** – age of the vehicle fleet, number/percentage of new vehicles sold with key safety features
- › **Licensing data** – licence holders, licence disqualifications, recidivist offenders, novice drivers
- › **Enforcement** – types and quantity of enforcement (police patrols, cameras), number of road users sampled and infringement outcomes (eg speeding, alcohol, drugs, distraction, seat belt use)

By its nature, our federation produces situations in which jurisdictions take different approaches. It is the timely publication of consistent data that will allow for the evaluation, comparison, and improvement of the various approaches being pursued.

Funding

Federal funding needs to be used as an incentive. Additional funding needs to be allocated by the Commonwealth towards a new funding agreement with states and territories, offering incentive payments for jurisdictions that deliver on actions within the NRSS through a Regional Road Incentive Fund.

Incentive payments should be tied, in a manner that requires states and territories to spend them on regional road safety. This funding should be quarantined for safety-orientated infrastructure and improvements, such as the installation of sealed shoulders, audio-tactile line marking, adequately spaced median or centrelines, surface treatments and roadside barriers.

Proposed infrastructure projects would need to be supported by demonstrated safety benefits or crash reduction potential, for example locations with a crash history or identified by a safety audit. The Regional Road Incentive Fund will clearly outline what states and territories must do to be eligible for these incentive payments. They must:

- › be signed up to the NRSS;
- › provide bi-annual reporting; and
- › demonstrate they are meeting the actions outlined in the NRSS, within the defined timelines.

A Regional Road Incentive Fund

The Commonwealth in 2020–21 expects to collect circa \$21.5B via its fuel excise (currently 42.3 cents per litre but subject to indexation from August 2020). This is projected to equate to \$13.6B revenue net of fuel tax credits paid to various industry sectors at differing rates.

The AAA proposes the Australian Government creates a \$400M per annum dedicated Regional Road Incentive Fund: equivalent to a hypothecation of approximately 1c per litre of fuel excise collected. Under the incentive scheme proposed, these funds would only be made available to state and territory governments meeting the actions outlined in the NRSS, within defined timelines, through transparent reporting mechanisms.

It is proposed that the payment of incentives be quarantined for states and territories to invest in infrastructure across regional Australia, where a road fatality is almost five-times more likely than in a metropolitan centre.

An annual injection of \$400M, would allow for the upgrade of many thousands of kilometres of regional roads every year. For context, in FY2020–21 the Commonwealth has committed to spend:

Black Spot Program	\$110M
Bridges Renewal Program	\$105M
Roads of Strategic Importance	\$292.8M
Roads to Recovery	\$499.6M

Precedent

The Commonwealth utilises incentive payments across several sectors, to fund specific projects and to facilitate and/or reward states and territories, as well as private providers, that deliver on nationally significant reforms. These payments are facilitated through various mechanisms, including national partnership payments provided as part of multilateral National Partnership Agreements, or Commonwealth Grant Scheme funds offered under bilateral Funding Agreements.

The success of the Regional Road Incentive Fund will be contingent on the requirement for states and territories to report on the actions they have undertaken under the NRSS and their progress in meeting agreed targets; and for this reporting to be transparent and public.

The AAA highlights the following examples in Commonwealth funding arrangements, through which stringent reporting and transparency requirements have driven important reform of service delivery or improvements in outcomes.

Health

In 2011, the National Health Reform Agreement signed by Commonwealth, states and territories moved to an activity-based funding model and implemented compulsory reporting requirements for all jurisdictions. The agreement establishes the Independent Hospital Pricing Authority (IHPA) – an independent body charged with determining national efficient pricing for public hospital services, as well as the supporting data requirements and data standards to apply to data to be provided by states.

Under this Agreement, the Commonwealth, states and territories are jointly responsible for “collecting and providing data to support the objectives of comparability and transparency, and to ensure that data is shared between relevant participants in national health care arrangements to promote better health outcomes.” Through the Australian Health Performance Framework, the public can access data on the performance of the health sector in Australia, with the ability to disaggregate indicators through different population groups, at national, state, and local levels.

Higher Education

Under Commonwealth Funding Agreements signed in 2018 with higher education providers, the Commonwealth implemented performance-based funding as a way to ensure universities focus sufficient attention on the quality of their teaching, and student support to achieve the best possible graduate outcomes.

The Funding Agreements outline the terms on which the Commonwealth will provide Commonwealth Grant Scheme funding to higher education providers.

Under each Funding Agreement, the Commonwealth has expressed its priorities for delivering improvements in accountability and transparency in the provision of higher education, including requiring data from providers on admissions processes; student outcomes; and teaching and research costs. Obligations on higher education providers include providing data as requested, and “in the form and at the times required to support the national admissions platform”.

What Australians want

Market research conducted by the AAA shows that increasing road safety is collectively the most important priority to Australians after the related issue of road repair and maintenance.

In rank order, the priorities of Australian motorists are:

- › Road safety and road repairs/maintenance
- › Congestion and Public Transport
- › Cost of driving (including fuel)
- › Environmental issues (eg. Emissions, electric vehicles etc).

The market research was conducted nationwide in April and May 2020 using a sample-size of 4963 people and was based on quantitative and qualitative analysis.

The safety of regional roads

While the primary objective of a Regional Road Incentive Fund is to incentivise state and territory government compliance with NRSS reporting obligations, the establishment of a fund dedicated to regional road maintenance will provide much needed investment to improve the safety of regional roads.

Bureau of Infrastructure, Transport and Regional Economics data shows 65 per cent of 2018 road fatalities occurred in regional and remote areas, compared to 35 per cent in metro areas, equating to a fatality rate of 10.4 deaths per 100,000 population for regional and remote areas compared to 2.2 deaths per 100,000 population in metro areas.

AAA analysis shows the 10 Federal electorates with the highest road fatalities in 2018 were all regional and remote electorates: Lingiari (NT), Durack (WA), Parkes (NSW), Flynn (QLD), Kennedy (QLD), Barker (SA), Grey (SA), Maranoa (QLD), Wright (QLD) and New England (NSW).

Conclusion

A \$400M Regional Road Incentive Fund will:

- › Incentivise state and territory governments to deliver and report on road safety actions agreed in the National Road Safety Strategy
- › Improve accountability & value for money for Commonwealth infrastructure investment
- › Create jobs through enhanced Commonwealth infrastructure investment in road safety treatments on regional roads