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Budget Policy Division
Department of the Treasury
Langton Crescent
Parkes ACT 2006

Dear Treasurer,

RE: PRE-BUDGET SUBMISSION

The AAA welcomes the opportunity to make a pre-budget submission ahead of the 2019-20 Federal Budget to be delivered in April 2019. We have recently released our policy platform for the 2019 Federal Election; and provide this to you for consideration in formulating this year's Federal Budget.

The AAA is the peak organisation for Australia's motoring clubs and their eight 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 Policy Platform highlights how Australia's land transport network is under significant strain. Transport costs are rising, roads have never been more congested, and important road safety targets are being missed. Australia's national land transport sector has failed to keep up with growing demand and technological change, and living standards are suffering as a result.

Australia urgently needs national leadership and well-planned and comprehensive policy action. The AAA believes that the time is right for a strategic review of Australia's land transport system: its performance; how it can better meet Australians' needs; and how its development, maintenance and management can best be funded in the long term.

Land Transport White Paper:

The AAA is calling on the Australian government to prioritise the **development of a Land Transport White Paper by the end of 2020** to provide a comprehensive, responsible long-term policy framework for planning, managing and funding Australia's land transport system. A White Paper must:

- establish the process for developing and maintaining a fully funded 10-year infrastructure program
- define a pathway for structural reform of the nation's taxation and funding arrangements
- clarify and modernise state-federal infrastructure funding and prioritisation arrangements
- identify and plan infrastructure investment to facilitate emerging mobility technology.



Federal Budget 2019/20 Initiatives:

While a Land Transport White Paper will establish a long-term vision, immediate action in the 2019-20 financial year is also needed and the AAA is calling on the Government to prioritise the following initiatives in the 2019-20 Budget:

Road Safety

AAA research shows motorists consider road safety to be their primary concern ahead of all others in relation to land transport.

Vehicle safety technologies continue to improve, yet each year thousands of Australians are killed or seriously injured in road crashes. In 2018, 1,146 lives were lost on our roads. While this is 78 fewer than 2017, there is no room for complacency. Each year road trauma costs the national economy around \$30 billion and costs our federal, state and local governments \$3.7 billion.¹ The specific target of the [National Road Safety Strategy 2011-2020](#) (NRSS) was to reduce Australia's number of road deaths and serious injuries by 30 per cent by 2020.

With less than two years to go, Australia's road trauma statistics have made it consistently clear we are not on track to meet this or other road safety targets. AAA analysis shows that only four of the NRSS's 33 recommendations are being met while eight still have no agreed targets and are not even being measured.

The AAA calls on the Australian government to re-establish a federal Office of Road Safety which would be responsible for developing and implementing integrated road safety strategies and programs at the federal level.

Total funding required = \$25 million annually

Real-World Testing of Fuel Use and Vehicle Emissions

The AAA and its member clubs believe that Australian motorists have a right to accurate information about fuel consumption and environmental performance when buying a new car. Currently information about fuel consumption and vehicle emissions is only available from laboratory testing and not real-world testing. Real-world testing of fuel use and vehicle emissions is urgently needed in the Australian car market to ensure consumers and policy makers are basing decisions on actual real-world performance.

¹ Australian Automobile Association, 2017. *Benefits of Reducing the Age of Australia's Light Vehicle Fleet*. July 2017. https://www.aaa.asn.au/wp-content/uploads/2018/03/AAA-ECON_Benefits-of-reducing-fleet-age-full-report_Dec-2017.pdf

AAA commissioned research to test a range of vehicles in Australian conditions. The research has shown that on average the cars we tested in real-world conditions used 23 per cent more fuel than in their lab tests.² The worst performing vehicle used 59 per cent more fuel.

Australians are struggling with cost of living pressures, and without better information on the real-world performance of new cars, they will continue to be misled and pay more for fuel than lab tests otherwise indicate. AAA commissioned research has also shown that in real-world testing, vehicles produce more noxious gas than the legal laboratory limits, in one case emitting more than seven times the legal limit. Regulation of emissions standards is clearly not driving down emissions. In fact, how vehicles perform in the lab and on the road is widening as standards get stricter.

Real-world testing is affordable. For less than \$3 per new vehicle sold in Australia, within two years, Australian consumers could have access to real-world testing information for 60 per cent of new cars available on the Australian market.

The government's Green Vehicle Guide (GVG) publishes information supplied by vehicle manufacturers based on laboratory testing. The AAA believes information gained from real-world testing would provide a useful information sources for consumers and could be incorporated into the GVG.

The AAA calls on the Australian government to:

1. Introduce a local real-world fuel and emissions test program, modelled on the existing European standard but modified for Australian conditions.
Total funding required = \$3.5 million annually
2. Expand the Green Vehicle Guide to include information on real-world fuel use and emissions.

Total funding required = from existing departmental resources.

Transport Market Reform

The way Australians pay for their roads needs to change. Current infrastructure funding relies on revenue streams such as fuel excise and the shift to more efficient fuel technologies, including electric vehicles, is making the system unsustainable, inequitable and inefficient. The system is also unfair. Through the fuel excise system, motorists that drive older cars pay more to use the road than drivers that can afford to drive newer and more fuel-efficient cars.

AAA analysis shows that the typical metropolitan Australian household pays close to 30 per cent more fuel excise if they drive an older vehicle.³ Yet many Australian motorists are unaware they pay

² Excluding plug-in hybrids.

³ Australian Automobile Association. 2018. *Fuel Excise Calculator*. Unpublished.

a tax of more than 40 cents on every litre of fuel. The AAA calls on the Australian government to disclose the amount of excise paid on fuel tax invoices in the same way GST is currently displayed. This will assist motorists in understanding the road user charging debate.

The AAA also calls on the Australian government to remove tariffs on imported vehicles and abolish the Luxury Car Tax (LCT). These taxes were designed to protect the local industry and there is no justification to retain them. These unfair tariffs and taxes are an unfair impost on Australian motorists and hinder the transition to a safer, more fuel-efficient and more environmentally friendly national fleet. Making vehicles more affordable encourages fleet renewal. Lowering the age of Australia's light vehicle fleet could generate benefits of up to \$19.7 billion over 20 years, as well as saving up to 1,377 lives. Additionally, the direct savings to governments is estimated to be \$3.7 billion.⁴

Infrastructure Investment

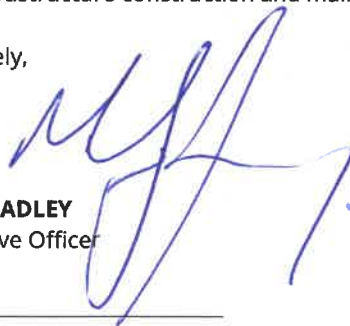
Land transport congestion is an increasing problem in Australia, impacting economic growth, quality of life, productivity, air quality and greenhouse emissions. The Australian government will collect around \$81 billion in road related charges in the next five years, but is predicted to return less than half to land transport infrastructure.

In 2008 Citigroup estimated that infrastructure investment required in the decade to 2018 would cost more than \$770 billion.⁵ In today's dollars, this would be more than \$930 billion.⁶

The AAA has identified a priority list of road and transport infrastructure projects that require urgent attention. These projects are included in the appendix to the AAA's election policy platform (attached).

Pending the development of a full land transport white paper, which would identify a long-term infrastructure pipeline and establishment of a dedicated infrastructure fund, the AAA calls on the Government to return at least 50 per cent of net fuel excise to motorists to fund much needed land transport infrastructure construction and maintenance.

Yours sincerely,



MICHAEL BRADLEY
Chief Executive Officer

⁴ Australian Automobile Association. 2017. *Benefits of Reducing the Age of Australia's Light Vehicle Fleet*. July 2017.

⁵ Citigroup. 2008. *Industry Focus: Global Infrastructure Digest*. Issue VIII, 2008. Citigroup Global Markets Equity Research.

⁶ Updated using CPI Inflation Calculator June 2007 to June 2018.