



**AUSTRALIAN
AUTOMOBILE
ASSOCIATION**

**Constituent
Members**



AAA BUDGET SUBMISSION 2010-11

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IN BRIEF

What AAA would like to see in the 2010-11 Budget:

- Confirmation of the allocation of initial funding of \$20 billion for the Building Australia Fund (BAF) as announced in May 2008, and the allocation of additional funds to the BAF.
- The roads component of the Nation Building Program for 2009-2014 expanded to \$25 billion (2007 dollars).
- Two specific programs within the Nation Building Program (formerly AusLink) that specifically address road safety:
 - \$100 million per annum for a Black Links program; and
 - \$100 million per annum for a proactive road safety program to build safety into regional roads.
- Support for projects identified by AAA's constituent motoring clubs in submissions to Infrastructure Australia.
- Funding for the Australian Road Assessment Program (AusRAP) of \$700,000 for 2010-11, and each of the two following years.
- Funding of around \$2 million to support an expanded crash testing program under the Australasian New Car Assessment program (ANCAP) that would complement a 'stars on cars' program that the Australian Transport Council (ATC) is considering introducing.
- Continuation of funding for *keys2drive*.
- A specific program within the Nation Building Program to fund urban public transport projects.
- Funding of \$6.5 million capital investment and \$1.5 million per annum operating costs to enhance and expand the current Green Vehicle Guide (GVG) through Government collaboration with AAA and its constituent clubs.

AAA BUDGET SUBMISSION 2010-11

Introduction

AAA represents the interests of around 6.5 million members through its state and territory motoring clubs and associations.

While Australia's economic growth is picking up speed, the after effects of the global financial crisis (GFC) are likely to persist for some time, especially internationally. The Government responded to the GFC with an economic stimulus package of \$10.8 billion in October 2008, a \$4.7 billion Nation Building Package in December 2008 and a \$42 billion Nation Building and Jobs Plan in February 2009.

The various packages have involved infrastructure spending which AAA welcomed, as the investment helps to create jobs, spur economic growth and improve infrastructure assets. As part of the various announcements, AAA was pleased to see the inclusion in the Nation Building Package of \$711 million for roads in 2008-09 and 2009-10, and an additional \$60 million for Black Spots. This will not only have a beneficial impact on job creation, but also address infrastructure bottlenecks, national productivity and improve the safety of the land transport network.

The funding for Black Spots was increased by a further \$90 million in the Nation Building and Jobs Plan in February 2009, along with \$150 million for boom gates and \$150 million for regional road maintenance projects.

The funding emphasis on road safety is particularly welcome, as it will reduce the cost of road trauma and help save lives.

Background

One of the objectives of AAA is to promote responsible, safe and affordable motoring. This objective is pursued through a number of themes in our Business Plan that relate to road safety, the environment and motoring costs.

Road safety is a key element of our work program that is consistent with a safe systems approach of safer drivers in safer cars on safer roads, which has also been adopted in the National Road Safety Strategy. Broadly speaking, we have programs to address each of these components:

- *keys2drive* for safer drivers;
- the Australasian New Car Assessment Program (ANCAP) for safer cars; and
- the Australian Road Assessment Program (AusRAP) for safer roads.

At the Federal level, motoring costs are affected by factors such as fuel excise and taxation, tariffs on passenger motor vehicles and the Luxury Car Tax (LCT).

On the environmental front, AAA has developed a climate change statement, '*On the Road to Greener Motoring*', that identifies a number of objectives and associated policies.

Road safety

It is now quite certain that the target of the current National Road Safety Strategy of a 40% reduction in the road toll by the end of 2010 will not be achieved. Inadequate funding of roads, and lack of other road safety initiatives, have been key reasons for this. Around 1,500 people are still dying each year on Australia's roads, and thousands more seriously injured. Furthermore, road crashes have been recently estimated to cost our national economy \$17.85 billion each year (Bureau of Infrastructure, Transport & Regional Economics, *Cost of Road Crashes in Australia*, 2010).

Infrastructure

The Federal Government has already announced a \$22.3 billion Nation Building Program (previously AusLink) for the five-year period 2009-2014 and significant funding for the Building Australia Fund (BAF). When the Budget was handed down in May last year, the Government announced that some of the funding for the BAF would come from budget surpluses, with the possibility of further deposits being made from future surpluses. With the ensuing global financial crisis, the Budget is unlikely to return a surplus for several years. AAA urges the Government to maintain its initial funding commitment of \$20 billion to the BAF and to provide further allocations to this fund.

AAA would like to see the confirmation of the allocation of initial funding of \$20 billion for the Building Australia Fund as announced in May 2008, and the allocation of additional funds to the BAF.

For the Nation Building Program on the national land transport network, AAA reiterates last year's call for funding the five-year program to be increased to \$25 billion (2007 dollars), which would be equivalent to a return of 12 cents per litre (cpl) of the 38cpl fuel excise to roads.

AAA would like to see the roads component of the Nation Building Program for 2009-2014 expanded to \$25 billion (2007 dollars).

In 2007 it was determined that this investment of \$25 billion in the Nation Building Program for the National Network would result in:

- upgrading of all two star roads, so that none exist;
- an improvement in the percentage of roads rated three stars, from 55 per cent of the total length to 28 per cent; and importantly
- an increase in the percentage of road length rated four stars, from 43 per cent to 72 per cent.

If these improvements in star ratings occurred immediately, it is estimated that it could result in a 19% reduction in crash costs. This equates to 46 fewer deaths

and 867 fewer serious injuries as a result of road crashes each year.

The research indicates that \$18 billion (75%) should be invested in duplicating highways, particularly the Pacific Highway (\$7.1 billion). Within the model, highways that are undivided but carry more than 10,000 vehicles per day are considered to warrant highway duplication, which is consistent with Austroads guidelines. It is noted that the Federal and NSW Governments have already committed to duplicating the Pacific Highway by 2016 and the Hume Highway by 2012.

\$1.9 billion (8%) should be invested in shoulder widening and \$1.6 billion (6%) in the installation of roadside safety barriers. The remaining investments should target delineation; lane widening; overtaking provision; and intersections.

AAA has placed a significant emphasis on road safety initiatives in previous Budget submissions. For example, in 2009-10 we called for increased funding for the Black Spot Program, the creation of an additional road safety program in the Nation Building Program (formerly AusLink) - a Black Links Program - and a proactive road safety program to build road safety into regional roads as part of the Roads to Recovery and strategic regional programs in the Budget.

The Government has responded to our calls for increased funding of the Black Spot Program and AAA welcomes the increases announced in the Nation Building Package in December 2008 and the Nation Building and Jobs Plan in February 2009. We expect to see these announcements reflected in confirmation of expenditure of \$119.5 million for 2009-10, and at least this amount for 2010-11. The Black Spot program has generated benefits far in excess of its costs, with an overall benefit cost ratio of 14:1.

Our argument for a Black Links Program of \$100 million was predicated in part on the fact that AusLink roads were not eligible for funding under the Black Spot program. This deficiency has now been partly addressed with the extension of the Black Spot Program to the national land transport network.

However, Black Spots are specific areas with a crash history, whereas our proposal for a Black Links Program would address those longer sections of road, which are known to be relatively unsafe when assessed against the criteria in AAA's Australian Road Assessment Program (AusRAP) methodology. AusRAP is a risk assessment tool that helps to inform motorists about the relative safety of sections of road. It can also help planners and engineers to identify those sections of road in need of remedial treatment. Australia is leading the way in this research, which has been managed by AAA with the Australian Road Research Board (ARRB) being commissioned to undertake specific tasks, and now evolving further with assistance from the International Road Assessment Program (iRAP). The Appendix to this submission includes a description of AusRAP and a summary of some of the research outcomes.

Recent research by ARRB indicates that around 50 per cent of all fatal crashes in the past four years have occurred at locations where no previous casualty crashes have occurred. There is still merit, therefore, in the creation of a specific Black Links Program.

We believe that the additional program we argued for in last year's Budget – to improve the safety of regional roads involving an appropriation of \$100 million per annum – continues to have merit and should be included in the 2010-11 Budget.

AAA would like to see two specific programs within the Nation Building Program (formerly AusLink) that specifically address road safety:

- \$100 million per annum for a Black Links program; and
- \$100 million per annum for a proactive road safety program to build safety into regional roads.

AAA and its constituent clubs have an ongoing concern that the road network is underfunded. AAA believes that now is a critical time to build critical infrastructure that can help create jobs and stimulate economic growth. Many road projects have been identified by our constituent motoring clubs in submissions to Infrastructure Australia¹ in 2008 and we urge the Government to fund them without delay, either through the Budget in 2010-11 or through the BAF once those projects to be supported have been identified and the priorities determined.

AAA would like to see support for projects identified by AAA's constituent motoring clubs in submissions to Infrastructure Australia.

Furthermore, while AAA commends the Federal Government on its allocation of \$806.9 million for local roads in the 2009-10 Budget, unfortunately this is still inadequate and needs to be substantially increased. As was pointed out in the NRMA Federal Budget Submission, local councils are responsible for more than 657,000 kilometres of local roads, and ensuring that these roads are of a suitable standard is critical to achieving the targets in the next National Road Safety Strategy.

To date, local councils have repaired or upgraded 27,000 sites around Australia using Roads to Recovery funding. While this is a good start, there is still a great back-log of projects and we need to take steps to ensure that the standard of local roads is going forward and not backwards.

Further research to refine the AusRAP methodology and calculate star ratings for an expanded and continuously evolving land transport network is necessary if Australia is to make inroads towards reducing the huge cost of road trauma on our roads.

The exercise of re-rating the entire land transport network, particularly now that many construction projects have been completed since the network was last rated, is essential. This, coupled with a facility to identify counter measures to address crash risk, would cost around \$2.1 million over the next 3 years. AAA would, therefore, like to see \$700,000 allocated for AusRAP in 2010-11, and each of the following 2 years. Projects for 2010-11 have been identified that would cost \$700,000 and could be commenced very soon after funding is received.

¹ http://www.infrastructureaustralia.gov.au/public_submissions/published/index.aspx
Submissions from AAA, NRMA Motoring & Services, RACV, RACQ, RAASA and RACWA

AAA would like to see funding for the Australian Road Assessment Program (AusRAP) of \$700,000 for 2010-11, and each of the two following years.

Expenditure on AusRAP in 2010-11 would go a long way towards assisting the next National Road Safety Strategy and help to identify what needs to be done to upgrade Australia's national network so that it was at least of a four-star standard. AAA is concerned that while in previous years the Australian Government provided financial support for AusRAP, no funding was given in 2009-10, and there has been no commitment for future funding.

Vehicle Safety

The topic of safer vehicles is being addressed, in part, through AAA's participation in the Australasian New Car Assessment Program (ANCAP). The program is a parallel program to AusRAP where cars are also star-rated, but for their crashworthiness. This program involves a series of crash tests under strict protocols at a cost of approximately \$200,000 per test. AAA would like to see the Federal Government partner with other stakeholders in ANCAP and contribute around \$2 million per annum which would enable more vehicles to be tested and star-rated.

AAA would like to see funding of around \$2 million to support an expanded crash testing program under the Australasian New Car Assessment program (ANCAP) that would complement a 'stars on cars' program that the Australian Transport Council (ATC) is considering introducing.

Road User Safety

In addition to safer roads and safer vehicles, AAA is also addressing the issue of safer drivers through another road safety program *keys2drive*. The Federal Government has made an enormous contribution to this program which is a specific initiative developed by AAA and the motoring clubs. *keys2drive* is designed to help improve driver safety by fostering a partnership between learner drivers, their supervising driver and professional driving instructors. AAA is appreciative of the Federal Government's financial commitment to the program of \$17 million over a five-year period from 2007 to 2012. AAA looks forward to a continuation of the funding commitment in the 2010-11 Budget.

AAA would like to see a continuation of funding for *keys2drive*.

Mobility

AAA is of the view that Australians must be provided with transport options that meet their needs and are affordable.

Public Transport

Apart from a desire for a greater investment in roads, AAA also believes that it is necessary for the Federal Government to invest in public transport infrastructure as a way of improving mobility and reducing congestion and travel times. AAA welcomes the Australian Government's increased focus on rail freight and public transport systems through the Nation Building Program announced in May 2009, and the need to consolidate this into a wider and far-reaching economic benefit for Australia into the future.

AAA would like to see the Federal Government fund further urban public transport projects and for funding to be identified in this year's Budget.

AAA would like to see a specific program within the Nation Building Program to fund urban public transport projects.

The need for investment in public transport is consistent with AAA's request in its 2008-09 Budget submission for 'a longer term commitment with a 15-20 year time horizon to increase investment in the network, to examine the interconnectivity of road, rail and public transport, to reduce congestion in the cities and to upgrade the national land transport network to a 4-star rating across the entire network.' In 2008-09 we stated that Infrastructure Australia could be tasked with this reform agenda and it would appear that this is a likely outcome when projects identified for funding are announced.

Motoring costs

Fuel taxation is a significant component of motoring costs. A tax of 38.143cpl is imposed on petrol and diesel and it represents a significant revenue source for the Government and a major cost for motorists. The 2009-10 Federal Budget estimated that revenue from petroleum products excise in that year would be \$12.83 billion. By contrast, Federal Government spending on roads was estimated to be \$4.7338 billion. This spending is equivalent to revenue of only 14.07cpl of the 38.1cpl collected at the fuel pump. While this is higher than the 10.8cpl in 2008-9, there is still much room for improvement. AAA advocates a situation like New Zealand where 100% of fuel excise is dedicated to roads spending.

This imbalance has been, in part, the reason why AAA has argued for many years for reform of fuel taxation. In brief, our argument has been that it would be more efficient and equitable to replace fuel excise with a road user charge. However, AAA does not offer support for a road user charging system without understanding the detailed structure of any proposals for such a system. The

introduction of a road user charging system would need to be carefully considered and AAA would want to contribute to this discussion.

AAA is pleased that the Government has embarked on a path of tax reform through the establishment of a Review of Australia's Future Taxation (Henry Tax Review). AAA has made a detailed submission to the Review.² However, AAA is very much opposed to fuel excise being increased as well as a road user charge, as was suggested in the 'La Trobe paper'.

AAA has argued for the past few years that it would like to see expenditure on roads increased to *at least* the equivalent of revenue from 12cpl in fuel excise. While AAA commends the Federal Government on last year's increased roads spending, this level of expenditure needs to be maintained in real terms.

Unfortunately, in recent years, road construction and maintenance costs have risen faster than annual growth in GDP, which is the indicator that is closely tied to increases in annual fuel excise revenue. Road expenditure will need to be increased above recent levels to ensure that the expenditure 'goal of at least 12cpl' is at least maintained in real terms.

Another tax component of motoring costs is the Luxury Car Tax (LCT). In 2008-09 it was estimated to raise Government revenue - and motoring costs - by \$580 million. AAA has argued against this tax in its submission to the Bracks review³ and we would like to see it abolished. The tax is a remnant of the old tax system and the GST was intended to remove such taxes by applying uniform rates of tax across all goods and services. There are other safety and environmental arguments for opposing the LCT and we expect that the tax will be subject to review as part of the Henry Tax Review.

² <http://www.aaa.asn.au/publications/submissions.php?year=2008>

³ <http://www.aaa.asn.au/publications/submissions.php?year=2008>

Environment

AAA acknowledges the impact of all elements of vehicle ownership on the environment and AAA believes there is sympathetic support for schemes that are equitable, efficient and deliver real and sustainable environmental improvement. AAA supports taking steps to address the environmental impact of motoring.

AAA has been considering improvements to expand the current Green Vehicle Guide (GVG) to provide consumers with enhanced information regarding environmental aspects of motoring. We would like to see the Federal Government collaborate with AAA and its constituent clubs in conducting independent emissions and fuel consumption tests on vehicles under driving conditions more representative of those experienced by Australian motorists.

This information would be placed on an enhanced website, along with additional information such as whole-of-life greenhouse emissions for passenger vehicles, and the benefits of switching to more fuel-efficient vehicles.

The anticipated cost for this project would be \$6.5 million capital investment and \$1.5 million per annum operating costs. We would like to see this recommendation picked up in the 2010-11 Budget.

AAA would like to see a funding allocation of \$6.5 million capital investment and \$1.5 million per annum operating costs to enhance and expand the current Green Vehicle Guide (GVG) through Government collaboration with AAA and its constituent clubs.

AAA strongly advocates that the Federal Government adopt and invest in a sustainable transport policy framework, and as was mentioned in the 2010-11 Federal Budget submission of one of our constituent clubs, NRMA, this framework should take into account that:

- Cars will remain the primary source of private transport;
- Sustainable transport should include the provision for other transport modes such as public transport and walking;
- Mobility is the key issue in driving investment in transport;
- The environmental impacts of motoring should be minimised;
- The energy and economic risks of relying on imported oil and diminishing supplies must be recognised; and
- A carbon-constrained economy operates within the associated regulations.

AAA would also like to see fuel excise exemptions for biofuels and other forms of alternative fuels such as LPG. At a time when reliance on foreign oil is increasing and this is having a substantial impact on Australia's balance of payments, alternative fuels sourced from Australia should not have excise applied to them, and this would also have a beneficial effect on the environment.

Furthermore, AAA believes that in addition to vehicle emission and fuel efficiency standards (and a possible emissions trading scheme), the Federal Government should consider a Low Carbon Fuel Standard, whereby the market would be able to decide which low carbon fuels are the most cost effective. The Californian Government has implemented this and the program is performing effectively.

AAA would also like to see incentives to encourage the uptake of electric vehicles and the deployment of infrastructure to support electric vehicles.

Appendix

AusRAP

AusRAP is a risk assessment tool that helps to inform motorists about the relative safety of sections of road. It can also help planners and engineers to identify those sections of road in need of remedial treatment. Research undertaken by AAA over the past few years has involved identifying where crash risk is highest, allocating star ratings from 1 to 5 stars to sections of road based on relative safety, identifying the benefit of improving the star rating of a road, and determining the cost of lifting a significant proportion of the national network to an acceptable 4 stars. Australia is leading the way in this research, which has been managed by AAA with ARRB being commissioned to undertake specific tasks.

The distribution of star ratings across the States and Territories on the national network, along with the main features of a road that influence the ratings are set out in Table 1. More detail can be found at www.ausrap.org

Table 1 Snapshot of the national network of roads

State	Length (km)	**	***	****	Divided	Good alignment	Safe roadside	Intersections
NSW	4637	8%	68%	24%	43%	96%	22%	1 every 3km
VIC	2303	4%	52%	44%	58%	95%	31%	1 every 3km
QLD	5206	1%	59%	40%	13%	99%	63%	1 every 4km
SA	2721	2%	63%	35%	14%	99%	51%	1 every 4km
WA	4874	3%	42%	55%	4%	91%	63%	1 every 7km
TAS	473	0%	75%	25%	37%	100%	43%	1 every 3km
NT	2738	0%	37%	63%	3%	100%	63%	1 every 9km
ACT	17	0%	16%	84%	100%	12%	44%	1 every 2km
Total	22969	3%	55%	42%	21%	96%	50%	1 every 4 km

Source: AAA research

The importance of having a national network of at least four-star standard is shown by the results of research indicating that crash costs are halved when a road is upgraded from two star to three star and are halved again when a road is further upgraded to four stars. These results are illustrated in Figure 1.

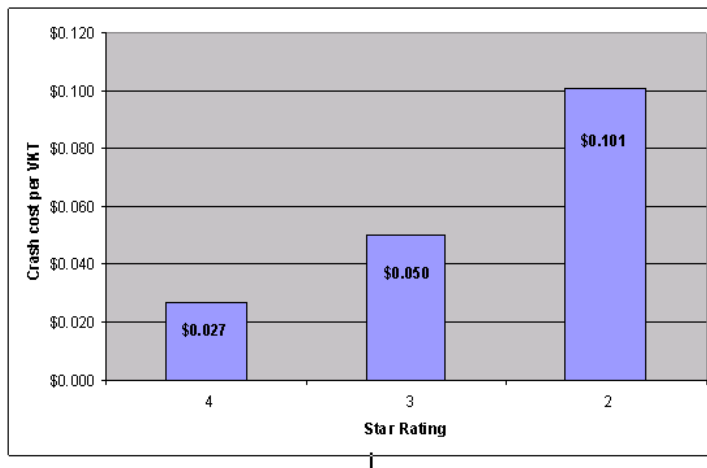


Figure 1. Crash cost per vehicle kilometre traveled (VKT) by AusRAP star rating
Source: AAA research

AAA is aware that many State and Territory road authorities have proprietary methods and analysis to identify roads on which they should take safety action. However, AusRAP complements these analyses, and as was successfully shown last year, AAA and its constituent club, RACQ, worked closely and successfully with the Queensland Department of Transport and Main Roads, iRAP and AARB over several months to analyse some of Queensland's worst sections of roads using an enhanced AusRAP based on the iRAP model. Similar trials are being considered in Victoria and South Australia.

As part of the need for further investment in the land transport network, AAA has conducted some research within AusRAP to determine a least-cost approach to lifting a significant proportion of the national network to 4 stars, which is regarded by AAA as the minimum acceptable star rating for the national network.

The research involved the creation of a spreadsheet adaptation of the star-ratings model to enable an iterative approach to upgrading the Network, giving the most cost-effective countermeasures priority, such as improvements to delineation and roadside safety. The key findings of the research are summarised below.

In 2007 it was determined that an investment of \$25 billion in the Nation Building Program for the National Network would result in:

- upgrading of all two star roads, so that none exist;
- an improvement in the percentage of roads rated three stars, from 55 per cent of the total length to 28 per cent; and importantly
- an increase in the percentage of road length rated four stars, from 43 per cent to 72 per cent.

These results are highlighted in Figure 2.

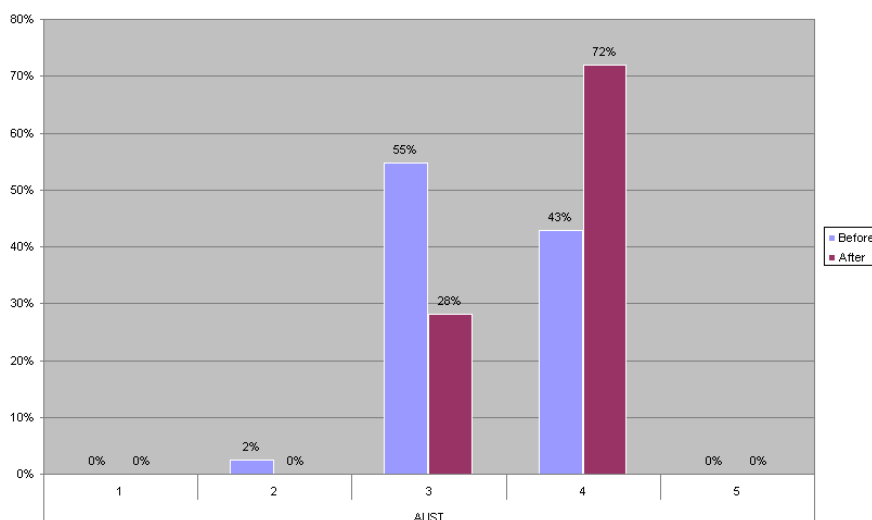


Figure 2. Expected Total Improvement in AusRAP Star Ratings

Source: AAA research

Drawing on the results of the risk map and star rating comparison, if the improvement in star ratings occurred immediately, it is estimated that it could result in a 19% reduction in crash costs. This equates to 46 fewer deaths and 867 fewer serious injuries as a result of road crashes each year.

The research indicates that \$18 billion (75%) should be invested in duplicating highways, particularly the Pacific Highway (\$7.1 billion). Within the model, highways that are undivided but carry more than 10,000 vehicles per day are considered to warrant highway duplication, which is consistent with Austroads guidelines. It is noted that the Federal and NSW Governments have already committed to duplicating the Pacific Highway by 2016 and the Hume Highway by 2012.

\$1.9 billion (8%) should be invested in shoulder widening and \$1.6 billion (6%) in the installation of roadside safety barriers. The remaining investments should target delineation; lane widening; overtaking provision; and intersections.

These results are shown in Figure 3 (below).



Figure 3. Total Investment by Road Safety Countermeasure (\$ million)
Source: AAA research