



**AUSTRALIAN
AUTOMOBILE
ASSOCIATION**

**Constituent
Members**



AAA BUDGET SUBMISSION 2011-12

January 2011

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IN BRIEF

AAA advocates:

Affordable Motoring

- Fuel excise to be fully hypothecated to land transport funding.
- The abolition of the Luxury Car Tax.
- A specific program within the Nation Building Program to fund urban public transport projects.
- Consumer focused information on retail fuel prices to be funded by the Australian Government, and provided by the Australian motoring clubs.

Road Safety

- Confirmation of the allocation of funding for the Building Australia Fund and the provision of further allocations to this fund.
- The roads component of the Nation Building Program for 2011-2014 be expanded to \$36 billion.
- Support for projects identified by AAA's constituent motoring clubs in submissions to Infrastructure Australia.
- A commitment to progressively upgrade all National Highways to AusRAP rated four-stars, and then five-stars in the long-term.
- Two specific programs within the Nation Building Program that specifically address road safety:
 - at least \$120 million per annum for a Black Links program; and
 - at least \$100 million per annum for a proactive road safety program to build safety into regional roads.
- Funding for the Australian Road Assessment Program (AusRAP) of \$1 million for 2011-12.
- A continuation of funding for *keys2drive*.
- A national strategy and funded programs aimed at enhancing the safe mobility of older Australians.

Environment

- A funding allocation of \$7 million capital investment to expand the current Green Vehicle Guide (GVG) through Government collaboration with AAA and its constituent clubs to establish a Centre of Excellence in Vehicle Emissions.
- A clearer and more comprehensive carbon reduction strategy that includes all industry sectors and automotive fuels.
- Incentives to encourage uptake of electric vehicles and the deployment of infrastructure to support electric vehicles.
- The Government conduct an extensive public information and education campaign to promote eco-driving, highlighting the environmental importance and economic benefits.
- The total revenue raised from the implementation of excise on alternative fuels to be reinvested back into the transport network.

Introduction

The Australian Automobile Association (AAA) supports and coordinates the activities of its constituent motoring clubs and represents the interests of Australian motorists nationally and internationally. AAA's constituent members include the following state and territory motoring clubs:

- National Roads and Motorists' Association (NRMA) Motoring and Services
- Royal Automobile Club of Victoria (RACV)
- Royal Automobile Club of Queensland (RACQ)
- Royal Automobile Association of South Australia (RAA)
- Royal Automobile Club of Western Australia (RACWA)
- Royal Automobile Club of Tasmania (RACT)
- Automobile Association of the Northern Territory (AANT)
- Royal Automobile Club of Australia (RACA)

Through these organisations, AAA represents the interests of more than 6.9 million motorists and, indirectly, all Australian motorists at the national and international levels.

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.

The cost of motoring can be a significant barrier to personal mobility. At the Federal level, motoring costs are affected by factors such as fuel excise and other taxes.

Road safety is a key element of our work program. AAA advocates a safe system approach which strives to achieve safer drivers in safer cars on safer roads. Broadly speaking, we have programs to address each of these components:

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

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.

Affordable Motoring

AAA advocates that Australians must be provided with transport options that meet their needs and are affordable. AAA believes that personal mobility is too valuable a benefit to be restricted or denied and we have a strong commitment to promote affordable motoring.

Motoring costs

Motorists currently pay a variety of local, state and federal charges to use the road network. The charges include the Commonwealth taxes of fuel excise, GST and Luxury Car Tax.

Fuel taxation is a significant component of motoring costs. A tax of 38.143 cents per litre (cpl) is imposed on petrol and diesel and it represents a significant revenue source for the Government and a major cost for motorists. The 2010-11 Federal Budget estimated that revenue from petroleum products excise in that year would be \$13.21 billion. This constitutes 4.1% of Commonwealth Government revenue.¹ By contrast, Federal Government spending on roads was estimated to be \$2.981 billion. This constitutes only 0.84% of Commonwealth Government expenditure.² This spending is equivalent to revenue of only 8.607cpl of the 38.1cpl collected at the fuel pump. AAA advocates for 100% of fuel excise to be dedicated to transport spending, as is the case in New Zealand.

AAA advocates for fuel excise to be fully hypothecated to land transport funding.

The Henry Review of Taxation recognised that the current structure of fuel tax, annual registration and other road-related taxes is designed primarily to raise revenue.³ The AAA considers it unfair that motorists are required to cross subsidise other areas of government expenditure. The Henry Review of Taxation acknowledged this and outlined that “fuel tax and other transport taxes are not an efficient or equitable means of financing general government expenditure.”⁴

Fuel excise is used primarily as a revenue raising tool with only a fraction of the revenue reinvested in the transport network. AAA supports the restructuring of the current system of fuel excise and other motoring charges as recommended in the Henry Review of Taxation.

AAA believes that road users should pay the appropriate cost of their use of the roads. This will ensure that the value they derive from using roads will cover the costs to society of their road use. 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

¹ Treasury, 2010, *Budget Paper No. 1: Budget Strategy and Outlook 2010-11*, p. 5-28.

² Treasury, 2010, *Budget Paper No. 1: Budget Strategy and Outlook 2010-11*, p. 6-37 & 6-6.

³ Australia's Future Tax System, 2010, *Final Report: Part 2 – Volume 2*, p. 376.

⁴ Australia's Future Tax System, 2010, *Final Report: Part 2 – Volume 2*, p. 375.

would need to be carefully considered and AAA would want to contribute to this discussion.

Another tax component of motoring costs is the Luxury Car Tax (LCT). In 2010-11 it was estimated to raise Government revenue - and motoring costs - by \$540 million.⁵ AAA has argued against this tax and we want 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. This tax reduces the opportunity for upgrading of the fleet to higher levels of environmental performance and safety. AAA strongly endorses Recommendation 80 of the Henry Review of Taxation that the Luxury Car Tax should be abolished.⁶

AAA calls for the abolition of the Luxury Car Tax.

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 would like to see the Federal Government fund further urban public transport projects and for a specific program of funding to be identified in this year's Budget, with funding generated by full hypothecation of fuel excise.

AAA advocates for a specific program within the Nation Building Program to fund urban public transport projects.

Fuel price information

To help minimise the cost of motoring, consumers should be provided with up to date retail fuel price information in both metropolitan and regional areas. This information should be funded by the Australian Government. This will assist consumers to reduce the cost of motoring by making an informed decision on purchasing fuel at the lowest price.

AAA advocates for consumer focused information on retail fuel prices to be funded by the Australian Government, and provided by the Australian motoring clubs.

⁵ Treasury, 2010, *Budget Paper No. 1: Budget Strategy and Outlook 2010-11*, p. 5-28.

⁶ Australia's Future Tax System, 2010, *Volume 2*, p. 476

Road safety

The target of the 2000-2010 National Road Safety Strategy of a 40 per cent reduction in the road toll by the end of 2010 was not achieved. Inadequate funding of roads, and lack of other road safety initiatives, were key reasons for this. Around 1,500 people are still dying each year on Australia's roads, and thousands more are seriously injured. Furthermore, road crashes have been recently estimated to cost our national economy \$27 billion each year.⁷ AAA supports the safe system approach, which has been adopted by all Australian road authorities, which aims to reduce the road toll through safer roads, safer vehicles and safer road users.

Safer roads

The Federal Government has already committed to a \$27.7 billion road investment through the Nation Building Program for the six-year period 2008-09 to 2013-14 and significant funding for the Building Australia Fund (BAF)⁸. Through the BAF the Federal Government has committed to over \$3 billion worth of road infrastructure projects.⁹ Further road infrastructure projects have been identified as priority projects ready to proceed and priority projects with real potential by Infrastructure Australia.¹⁰ To ensure that a greater number of these priority projects are funded, AAA urges the Government to maintain its funding commitment to the BAF and to provide further allocations to this fund.

AAA advocates for confirmation of the allocation of funding for the Building Australia Fund and the provision of further allocations to this fund.

AAA would like to see expenditure on the transport network increase to the equivalent of revenue from the 38cpl fuel excise. If this was applied to projected budget forecasts in 2011-12 it would equate to \$13,540 million. Over the period 2011-2014 revenue from fuel excise is forecast to total \$36 billion.¹¹

AAA recommends that the transport network component of the Nation Building Program for 2011-2014 be expanded to \$36 billion.

AAA and its constituent clubs have an ongoing concern that the transport network is underfunded. AAA believes that now is a critical time to build necessary 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 Australia¹² in 2008 and we urge the Government to fund them

⁷ ATC, 2010, *Draft National Road Safety Strategy 2011-2010*, p. 1.

⁸ Minister for Infrastructure, Transport, Regional Development and Local Government, Media Release, *Nation Building: Biggest Ever Roads Program Turns Three*, 11 May 2010.

⁹ Treasury, 2009, *Nation Building for Australia's Future*, p. 2.

¹⁰ Infrastructure Australia, 2009, *National Infrastructure Priorities*, p. 10-11.

¹¹ Treasury, 2010, *Budget Paper No. 1: Budget Strategy and Outlook 2010-11*, p. 5-24.

¹² Infrastructure Australia, Public Submissions webpage, http://www.infrastructureaustralia.gov.au/public_submissions/published/index.aspx, accessed 27

without delay, either through the 2011-12 Budget or through the BAF once those projects to be supported have been identified and the priorities determined.

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

AAA research in recent years determined that an appropriately targeted investment of \$25 billion in the Nation Building Program for the National Highway Network would result in:

- upgrading of all two star roads on the national network, 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 per cent reduction in crash costs.

AAA advocates for a commitment to progressively upgrade all National Highways to AusRAP rated four-stars, and then five-stars in the long-term.

AAA has placed a significant emphasis on road safety initiatives in previous Budget submissions. For example, in our 2009-10 and 2010-11 Budget submissions we called for increased funding for the Black Spot Program, the creation of an additional road safety program in the Nation Building Program - 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.

AAA's argument for a Black Links Program of \$100 million was predicated in part on the fact that National Highway Network 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 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 at a network level, sections of road in need of funding for safety improvements. Australia is leading the way in this research, which has been managed by AAA with the Australian Road Research Board (ARRB) being commissioned to

January 2011. Submissions from AAA, NRMA Motoring & Services, RACV, RACQ, RAASA and RACWA.

undertake specific tasks, and now evolving further with assistance from the International Road Assessment Program (iRAP).

AAA considers that the additional program argued for in its Budget submissions in the last two years continues to have merit and should be included in the 2011-12 Budget at \$120 million. The 2011-2020 National Road Safety Strategy Draft for Consultation recognises that a Black Links program would be a broader and more strategic approach to improving the safety of the road network.¹³

AAA recommends two specific programs within the Nation Building Program that specifically address road safety:

- at least \$120 million per annum for a Black Links program; and
- at least \$100 million per annum for a proactive road safety program to build safety into regional roads.

Whilst AAA commends the Federal Government on its allocation of over \$1 billion for local roads in the 2010-11 Budget, unfortunately this is still inadequate and needs to be substantially increased. 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.¹⁴

Expenditure on AusRAP in 2011-12 would go a long way towards assisting the 2011-2020 National Road Safety Strategy and help to identify what needs to be achieved 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 has been given in recent years, and there has been no commitment for future funding.

The exercise of rating the National Highway Network for benchmarking purposes, particularly now that many construction projects have been completed since the network was last rated, is essential. This, coupled with a facility to identify network level improvement programs to address crash risk and promote the results would cost \$1 million. AAA would, therefore, like to see \$1 million allocated for AusRAP in 2011-12 for star rating of the National Highway Network.

AAA advocates for funding for the Australian Road Assessment Program (AusRAP) of \$1 million for 2011-12.

Safer vehicles

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 commends the Federal Government on its contribution of \$5 million to ANCAP, announced in

¹³ ATC, 2010, *Draft National Road Safety Strategy 2011-2010*, p. 26.

¹⁴ Minister for Infrastructure, Transport, Regional Development and Local Government, Media Release, *Nation Building: Biggest Ever Roads Program Turns Three*, 11 May 2010.

June 2010.¹⁵ This contribution will enable more vehicles to be tested and star-rated.

Safer road users

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 funds 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 2011-12 Budget.

AAA advocates for a continuation of funding for *keys2drive*.

As a result of the ageing population, the number of older people driving and using our roads will vastly increase. Many older people who need to stop driving often become socially isolated and depressed as they are unable to undertake many of the activities they enjoy due to a lack of suitable transport. While social inclusion has been recognised at a national level as being of primary importance to the well-being of Australians, the important link that transport plays in achieving this is not widely recognised. As a result, the transport options for people who are unable to drive themselves in most parts of Australia are very poor. A national strategy is needed to address this issue. If the current inaction continues more older Australians will become socially isolated over the coming years.

AAA advocates for a national strategy and funded programs aimed at enhancing the safe mobility of older Australians.

¹⁵ Minister for Infrastructure, Transport, Regional Development and Local Government & ANCAP, Joint Media Release, *Federal Government Partnering With ANCAP for Car Safety*, 7 June 2010.

Environment

AAA acknowledges the impact of vehicle ownership and use on the environment and supports measures that reduce environmental impacts as long as they are equitable, efficient and deliver real and sustainable improvement.

Centre of Excellence in Vehicle Emissions

The Federal Government's Green Vehicle Guide (GVG) has proven to be a useful transition tool to provide fuel consumption and emissions data in a form that is accessible and easily understood by consumers. However, GVG is solely reliant on the provision of vehicle manufacturers' own data. Consideration should be given to the development of the next generation GVG based on a more robust and, importantly, repeatable and independent testing regime.

AAA would like to see the Federal Government collaborate with AAA and its constituent clubs in establishing a Centre of Excellence in Vehicle Emissions. The key element of work that the centre would undertake would be conducting independent emissions and fuel consumption tests on vehicles under driving conditions more representative of those experienced by Australian motorists as part of the next generation GVG.

The anticipated cost for this project would be \$7 million capital investment. This amount would acquire a new facility and provide for the development of a business plan. We would like to see this project adopted in the 2011-12 Budget.

AAA calls for a funding allocation of \$7 million capital investment to expand the current Green Vehicle Guide (GVG) through Federal Government collaboration with AAA and its constituent clubs to establish a Centre of Excellence in Vehicle Emissions.

Carbon Pollution Reduction Scheme

The Australian Government has now deferred the Carbon Pollution Reduction Scheme (CPRS). When this scheme was under consideration, AAA and its constituent clubs supported the scheme, provided all industry sectors and automotive fuels were included. Any subsequent strategy must adhere to the same inclusions and any permit obligations should be imposed on petroleum refiners and importers. Our preference is not for a carbon tax.

AAA advocates for a clearer carbon reduction strategy that includes all industry sectors and automotive fuels.

Cleaner vehicles

With regard to transport, as new innovations and technologies become available to the market, government should adopt policies and incentives that enhance consumer choice and gradually reduce dependence on carbon intensive fossil fuels. This should be done by encouraging the use of a wider mix of power and

fuel systems. Similarly, with the introduction of electric cars, charging them exclusively from clean renewable energy sources should be encouraged.

AAA advocates for incentives to encourage uptake of electric vehicles and the deployment of infrastructure to support electric vehicles.

Drivers have a key responsibility to reduce their CO₂ emissions by improving their driving performance. It is estimated that a 10 to 20 per cent reduction in fuel use is possible across the national fleet by drivers adopting eco-driving principles. Improving driver behaviour through education campaigns is an easy and cheap method of making motoring more sustainable and research undertaken by AAA indicates strong interest from motorists in learning more about environmental motoring.

AAA advocates the Government conduct an extensive public information and education campaign to promote eco-driving, highlighting the environmental importance and economic benefits.

Cleaner fuels

The Federal Government has had a longstanding plan to bring alternative fuels into the excise regime. These new arrangements are to begin being phased in on 1 December 2011. It has been estimated that the new fuel excise arrangements for alternative fuels will generate \$276.5 million in revenue over a three year period.¹⁶ If the proposed changes to fuel taxation are implemented it is important that this revenue is spent on transport and not diverted to other areas of government expenditure.

AAA advocates for the total revenue raised from the implementation of excise on alternative fuels to be reinvested back into the transport network.

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 European Union and Californian Government have implemented this and the program is performing effectively.

¹⁶ Treasury, 2010, Budget Paper No. 2, Part 1: Revenue Measures, p. 23.

Appendix

AusRAP

**Safer Roads
Save Lives**

Rating Australia's
Roads for Safety

**AusRAP's vision is
a nation free of
high risk roads**

Why Road Safety is Important

Many road crashes involve sudden loss, untold suffering and financial hardship, and they change the lives of people forever. Safe personal travel should be a key feature of modern society but unless road tragedy personally touches us or our loved ones, we sometimes don't reflect on how big a problem it is.


More than 1,500 people are killed on Australia's roads each year and more than 20,000 are seriously injured. This averages five deaths on Australian roads each and every day.

The National Road Safety Strategy of 2001 to 2010 has not achieved its target to date of a 40 per cent reduction in the road toll, but has achieved a reduction of about 26 per cent. While it is unclear what the target will be in the next National Road Safety Strategy, the Australian Road Assessment Program (AusRAP) will be an important tool to help achieve this.

The formal adoption of Decade of Action for Road Safety was agreed upon at the UN General Assembly in New York in March 2010, and Australia was a signatory to this charter. This will drive a coordinated response across the world to ensure that there are safer road users, safer vehicles and safer roads. AusRAP will also be influential in delivering the safer roads component of action in Australia.

It is estimated that half of all road fatalities could be avoided with necessary upgrades to safety infrastructure. This requires the commitment of politicians who have the support of the public, funding from treasury, road authority action, and the design and construction skills of road engineers. AusRAP is here to help all of these stakeholders.

AusRAP aspires to help Australia become a nation free of high risk roads.



AusRAP
Rating Australia's
Roads for Safety

About AusRAP

AusRAP is a program run by the Australian Automobile Association and state and territory automobile clubs, dedicated to saving lives through advocating for safer road infrastructure.

AusRAP's objectives are to:

- reduce deaths and injuries on Australia's roads by systematically assessing risk and identifying safety shortcomings that can be addressed with practical road-improvement measures; and
- put risk assessment at the heart of strategic decisions on road improvements, crash protection and standards of road management.


AusRAP works in partnership with government and non-government organisations to:

- inspect national and state highways and develop Star Ratings and Safer Roads Investment Plans;
- track road safety performance through risk maps so that funding agencies can assess the benefits of their investments; and
- explain the benefits of safer road infrastructure to the community by describing why some roads are safer than others.

AusRAP currently uses two methods—or protocols—for assessing the safety of roads. AusRAP's first protocol, Risk Mapping, is based on a road's history of casualty crashes and traffic flow and provides a measure of the safety performance of a road. Risk Maps have been produced for the National Highway Network (formerly AusLink National Network), on which road crash fatalities typically account for around 15 per cent of annual road fatalities in Australia.

AusRAP's second protocol provides a Star Rating, measuring the inherent safety of the road infrastructure—that is, the degree to which it prevents crashes from occurring and reduces the severity of those crashes which do occur. The Star Ratings involve an inspection of a number of design elements such as lane width, shoulder width and the presence of safety barriers, which are known to have an impact on the likelihood of a crash and its severity.

Between one and five stars are awarded to sections of roads measuring the level of safety which is 'built-in' to the road. AusRAP has produced Star Ratings for the National Highway Network and significant lengths of the state highway network in Victoria, Queensland, Western Australia and South Australia.



A Nation Free of High Risk Roads

AusRAP's vision to eliminate two star roads and the longer term elimination of three star roads on the National Highway Network and strategic state highways will be achieved through working with governments and government agencies, state Club Members and the wider community, peak national and state road user groups and the research community to highlight road safety infrastructure issues and potential solutions.

AusRAP aims to extend road assessments and subsequent implementation of road improvements to the whole of Australia's National Highway Network – an estimated 22,000kms (or about 25,000kms including divided highways) – during the Decade of Action for Road Safety and concurrent National Road Safety Strategy.

AusRAP's membership of and close ties to iRAP, the International Road Assessment Program, opens the door to a world of best practice and innovative safety improvements internationally. AusRAP is a valued member of the iRAP Board and the Global Technical Committee. As a founding iRAP program, AusRAP is a leader in the iRAP Asia Pacific Region and through our relationship with iRAP and FIA, we will continue to assist emerging RAP programs in our region.

AusRAP measures the level of safety which is 'built-in' to the road

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To find out more about AusRAP, visit www.ausrap.org

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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, as was successfully shown recently when 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 model.

We acknowledge the work currently being undertaken by Austroads and note that AAA through its AusRAP program has been actively supporting this work through providing advice and access to the latest research. The AusRAP program provides the ability to systemically assess risk and develop network level improvement programs and AAA believes it will make a significant and valuable contribution to benchmarking the performance and inherent safety of Australia's roads.