



Australian
Automobile
Association



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PRE-BUDGET SUBMISSION 2023-24

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Introduction

The AAA is the peak organisation for Australia's motoring clubs and their 8.9 million members and advocates for policies that can make transport safe, affordable, and sustainable. The AAA regularly commissions research and develops in-depth analysis of issues affecting transport systems, including affordability, road safety, and vehicle emissions.

In the 2023-24 Budget, the AAA calls on the Federal Government to:

1. Re-invest 100% of fuel excise into land transport infrastructure to improve road safety outcomes by delivering a better transport network.
2. Leverage Commonwealth funding of state/territory land transport infrastructure projects to incentivise the provision of priority road safety data from jurisdictions.
3. Support transport emissions reduction alongside technology transition for light vehicles by addressing each of the interrelated issues:
 - Greenhouse gas emissions
 - Fuel quality standards
 - Noxious emissions
 - Consumer information
 - Electric vehicles, supporting infrastructure and grid readiness
 - Energy security (including liquid fuel security)
 - Motoring taxation reform



1. LAND TRANSPORT INFRASTRUCTURE INVESTMENT

Invest 100% of net fuel excise into land transport infrastructure

Over the forward estimates, 92% of net fuel excise will be returned to land transport infrastructure. Fuel excise is a “user pays” system, or a road user charge, and therefore 100% of net excise revenue from road transport should be re-invested into Australia’s land transport infrastructure. Australians will contribute on average \$1,105 in net fuel excise per household in the 2022-23 financial year.

With the reinstatement of the full rate of fuel excise in September 2022, the AAA reiterates its call for every cent of excise raised to be spent on land transport infrastructure. As noted later in the submission, in the medium term fuel excise revenue is likely to decrease with vehicle efficiency and electrification. It will be important to significantly change the basis of motoring taxation to a more equitable and sustainable system. In the short term, while the Government relies on fuel excise, the AAA calls for 100% of fuel excise collected to be spent on land transport infrastructure.

Focus on road safety for land transport infrastructure investment

Infrastructure investment is a critical element in addressing Australia’s road safety crisis. The AAA would like to see road safety as a key criterion when selecting all land transport infrastructure projects. The AAA has long advocated for the Commonwealth to require its funding of land transport infrastructure projects be used to ensure road safety is prioritised to reduce road trauma.

2. ROAD SAFETY DATA

Transparency and accountability of road safety data

Road crashes kill more than 1,100 and seriously injure approximately 40,000 people every year, costing the Australian economy \$29 billion per annum. These deaths and injuries are preventable and more needs to be done to keep Australians safe on our roads. Road trauma affects not only the people involved in crashes but also their families, friends and work colleagues, as well as medical and emergency staff, including first responders at crash scenes. Australia's road safety response must seek ways to mitigate these impacts.

The AAA wants the Commonwealth to build transparency and accountability for road safety data through improved data collection and reporting. It is not credible that during the height of the pandemic, COVID data was published daily regarding infection numbers, vaccination rates, and the gender, age, and location of hospitalisations, yet data failings prevent us from knowing how many Australians are injured in road crashes each year.

The Commonwealth's failure to facilitate the timely, consistent, and open reporting of national road safety data is impeding Australia from quantifying its road safety problem, developing evidence-based responses, or evaluating their effectiveness.

Leverage funding to jurisdictions to obtain road safety data

The Commonwealth will allocate \$55.23 billion to state governments for land transport infrastructure over the forward estimates. The AAA wants this considerable funding leveraged to incentivise jurisdictions to harmonise and share road safety data. Road safety data is critical to assessing progress of the *National Road Safety Strategy 2021-30* and its accompanying Action Plan. Consistent road safety data will also enable the Commonwealth to hold all jurisdictions accountable for road trauma reduction targets, facilitating a clear leadership role in road safety for the Commonwealth.

In the 2020-21 Federal Budget, the Federal Government established the \$2 billion Road Safety Program that required states and territories to provide road safety data as a key condition of funding. The Road Safety Program has since been increased to \$3 billion. This model of funding signified a major step forward for road safety in Australia and establishes a significant new role for the Commonwealth in road safety data collection and reporting. It has the potential to deliver a clearer understanding of the risk profile of our road transport network in its entirety. To enhance safety and reduce the impact of road trauma on the health budget, the principles of the Road Safety Program should be extended to all federally funded land transport infrastructure programs.

National Partnership Agreement on Land Transport Infrastructure

Negotiation of a new *National Partnership Agreement on Land Transport Infrastructure Projects* (due to expire 30 June 2024) should also be leveraged to ensure that states and territories provide road safety data to be eligible for road funding.

3. TECHNOLOGY TRANSITION

Technology transition to reduce transport emissions

For the transport sector, the AAA advocates a technology-neutral, market-based approach to vehicle technology transition that provides flexibility for vehicle manufacturers and choice for consumers.

The transition of Australia's light vehicle fleet to alternative energy sources and to low and zero emission vehicles needs to be supported and managed to ensure it is successful, sustainable, and delivered at least cost to consumers. Inaction or actions that do not consider the following interrelated issues risk delivering poor outcomes for Australians.

The AAA calls on the Federal Government to support transport emissions reduction alongside technology transition for light vehicles by addressing each of the interrelated issues:

- Greenhouse gas emissions
- Fuel quality standards
- Noxious emissions
- Consumer information
- Electric vehicles, supporting infrastructure and grid readiness
- Energy security (including liquid fuel security)
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Introduce an economy-wide emissions trading scheme to reduce greenhouse gas emissions

Since 2007 the AAA has supported the introduction of an economy-wide emissions trading scheme as the most economically efficient mechanism to reduce greenhouse gas emissions. The AAA has advocated that this policy response will allow the market to determine which sectors of the economy are best able to make emissions reductions and at least cost.

Introduce a CO2 standard, improved fuel quality standards and Euro 6d noxious emissions standards

The AAA calls on the Federal Government to introduce a CO2 standard (or fuel efficiency standard) for new light vehicles as a vital measure to incentivise the supply of cleaner cars to our market and reduce Australia's carbon footprint.

New vehicle models with improved fuel consumption, lower tailpipe emissions, and those utilising alternative energy sources are not currently being prioritised for the Australian market. A CO2 standard designed for the Australian market, along with improved fuel quality standards to facilitate the introduction of the current international noxious emission regulation (Euro 6d), would provide an incentive for vehicle manufacturers to offer models with the latest engine technologies that are more fuel efficient and produce less tailpipe emissions.

The benefits of cleaner fuels are largely delivered by cleaner vehicles. It is therefore important that regulatory proposals for fuel efficiency standards, Euro 6d noxious emissions standards, and improved fuel quality standards are considered as a consolidated package.

With recent separate consultation by the Federal Government on fuel efficiency standards, improved fuel quality, and anticipated consultation on Euro 6d noxious emissions standards, the AAA believes the timing is right to address all three policy issues collectively.

Charging infrastructure and grid readiness

Many Australian and global projections anticipate a rapid increase in electric vehicle (EV) sales. To ensure the successful uptake of EVs the AAA considers that the Federal Government should:

- work with states and territories to update and streamline Australian building codes for EV charging readiness and or infrastructure to ensure easy installation of home charging in apartments and in rental homes, as well as charging infrastructure in car parks and at other public locations
- establish an inter-governmental and stakeholder working group to develop a national plan for the coordinated roll-out of charging infrastructure and work with energy suppliers to manage network capacity, minimise network capacity issues and guarantee a consumer-centric approach to pricing and access. Charging infrastructure supported by funding from the Federal Government should seek to fill in gaps in the charging network and avoid unnecessary duplication. This strategy should promote the development of EV charging infrastructure that includes a mixture of AC (lower-speed – lower impact) charging and DC (higher-speed – trip convenience focused) charging
- provide low interest loans for EV home chargers, potentially through existing resources such as the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA) funding, to assist in reducing upfront cost pressures
- support enabling works and/or provision of low interest loans for installation of highway and destination EV charging infrastructure, potentially through existing resources such as CEFC and ARENA funding to support private investment in charging stations
- develop education campaigns about zero and low emission vehicles, including EV home and public charging infrastructure, managing the impact on electricity supply, and current and future vehicle operating costs.

Deliver energy security that minimises costs to consumers

Essential services, such as supplies of food, medicines, emergency services, medical treatment, and defence, depend on transport to be able to deliver their benefits to the Australian community. The risk of disruption or interruption to the supply of energy sources required to maintain the delivery of these services needs to be appropriately managed.

There are several energy security policy options available for the land transport sector including greater domestic self-sufficiency for the production of liquid fuels, increased stockholding of fuels/energy, diversification of energy sources, alternative fuels and reducing fuel/energy consumption of vehicles. Each of these has an associated cost and offers different benefits and risks, and therefore varying degrees of impact on consumers.

The AAA wants the Federal Government to introduce a CO2 standard for new light vehicles and develop an energy security plan that considers all the available policy options and optimises each to maximise energy security benefits as part of a package of technology transition measures that minimises costs to consumers.

In addition to offering environmental benefits, a CO2 standard designed for the Australian market (as outlined above) offers benefits to energy security by reducing fuel consumption of new vehicles as well as encouraging diversification of energy sources in new vehicles. A CO2 standard for new vehicles will help reduce our dependence on imported liquid fuels.

Motoring taxation reform

Australians need a fairer, more transparent and sustainable nationally consistent model for road funding into the future. The Federal Government needs to make sure that all motorists contribute fairly to our roads. With the growth in more fuel-efficient vehicles and new technologies the government is going to be confronted with declining fuel excise revenue in the future. This will result in some motorists paying a road user charge through fuel excise while other motorists will pay far less or pay nothing at all.

The AAA's position is that electric and other zero emission vehicles should urgently be brought into the tax system: initially at a discounted rate to ensure this new measure avoids disincentivising the take-up of EVs and other low emission technology. The Federal Government needs to work with states and territories to develop a nationally consistent approach. This should also provide an opportunity to address the inequity in the fuel excise system, where, because different vehicles consume different amounts of fuel to travel the same distance on the same road, motorists pay different amounts of tax. Governments should consider apportioning revenue from any EV road-user charge to future programs that incentivise development and roll-out of zero and low emission technologies and infrastructure.



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