



Australian  
Automobile  
Association



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# PRE-BUDGET SUBMISSION 2024-25

JANUARY 2024





# Introduction

**The Australian Automobile Association (AAA) is the nation's peak motoring body, representing Australia's state-based motoring clubs and their 8.9 million members.**

**The AAA is an apolitical and technology-neutral advocate for federal transport policy that improves safety, affordability, and mobility.**

**It regularly commissions research and develops in-depth analysis of issues affecting transport systems, including affordability, road safety, and vehicle emissions.**

**Transport is a key enabler of a productive economy. Transport safety, affordability, efficiency and emissions have a material impact on the lives, livelihoods and amenity of Australian families and communities.**

In the 2024-25 Budget, the AAA calls on the Federal Government to:

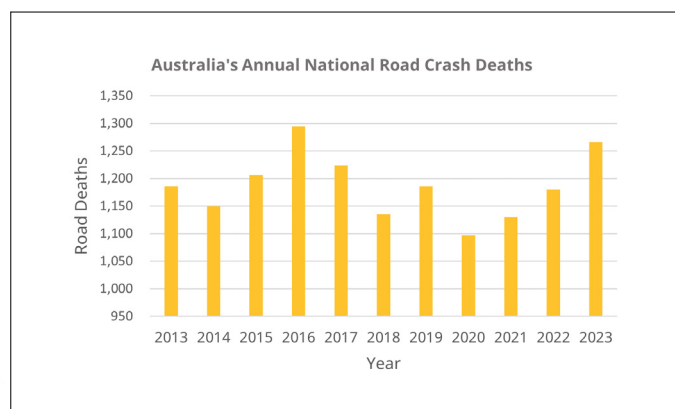
1. Leverage Commonwealth funding through the *National Partnership Agreement on Land Transport Infrastructure Projects* to require jurisdictional reporting of road safety data relating to road quality, crash causation, and enforcement of road rules.
2. Re-invest 100 per cent of net fuel excise into land transport infrastructure.
3. Support transport emissions reduction alongside technology transition for light vehicles via:
  - a. Introducing a fuel efficiency standard in conjunction with existing measures for noxious emissions and fuel quality to form an integrated package of measures for these inter-related issues.
  - b. Supporting the deployment of electric vehicle charging infrastructure, and ensuring charging compatibility across all EVs.
  - c. Introducing a road user charge to bring electric and other zero emission vehicles into the tax system, initially at a discounted rate to avoid disincentivising their take-up.

## 1. Road Safety Data

**AAA Ask: Leverage Commonwealth funding through the *National Partnership Agreement on Land Transport Infrastructure Projects* to require jurisdictional reporting of road safety data relating to road quality, crash causation, and enforcement of road rules.**

Road trauma costs the Australian economy almost \$30 billion per year and the Australian Government bears \$3 billion per year of this cost. Better targeted investment has the potential to save lives and costs.

Data from the Australian Government Bureau of Infrastructure and Transport Research Economics show that road deaths in Australia increased 7.3 per cent through the 12 months to 31 December 2023, with 1,266 people killed. The graph below illustrates road deaths over the past 10 years.



The *National Road Safety Strategy 2021-30* aims to reduce road deaths by 50 per cent by 2030, however the past three years have instead seen national road deaths increase by more than 15 per cent.

A lack of publicly available information about the quality of Australian roads, the crashes occurring on them, and enforcement makes it impossible to publicly explain the rising road toll, plan measures to prevent further deaths, or measure the effectiveness of the measures being funded to reduce deaths.

All states and territories have road safety data that are needed to understand road trauma. But this information is not publicly available. The Australian Government has an opportunity to require the provision of road safety data as a condition of funding it provides to states and territories and publish the data. This would enable Australia to finally build an effective national road safety database that could guide the development and implementation of more effective policy and enforcement measures. And it would also provide a transparent evidence base for infrastructure and road safety investment. This would assure Australian taxpayers that their money is being spent responsibly to make our roads safer, rather than to secure votes in marginal seats.





## National Partnership Agreement on Land Transport Infrastructure Projects

The Australian Government allocates about \$10 billion each year to state and territory governments for land transport infrastructure through the *National Partnership Agreement on Land Transport Infrastructure Projects* (NPA). The current five-year NPA is due to expire on 30 June 2024 and negotiating the new NPA provides an opportunity for the Commonwealth to lead Australia's transition to data-driven road safety policy.

State and territory governments should be compelled to provide road safety data relating to road quality, crash causation, and law enforcement as a condition of Commonwealth funding. Similar reporting requirements are commonplace in other National Partnership Agreements including health, education and housing. Transport should be no different.

Last November, former senior public servant Jane Halton AO PSM delivered a review of the NPA. Ms Halton found that data transparency and other measures ought to be used to make projects and governments more accountable, but the necessary data are not available.

Ms Halton's report states: *"There has been no systematic data gathering or outcomes analysis over the course of the current NPA to date. There have not been outcome-based performance reports provided to ministers or senior officials."*

Referring specifically to performance and outcomes measurement, the report says: *"While the reporting is incomplete, progress toward the targets appears low. This review is unable to draw any meaningful inference except that the current approach to data reporting is not working."* *"It is clear there is now an opportunity to reset existing arrangements in order to improve accountability, transparency, efficiency and, especially, outcomes".*

Collating and reporting road safety data would enable the quantification of Australia's road safety problem. That would mean we could identify the key factors influencing our rising road toll and the varying impacts of those factors. We could also assess the effectiveness of existing measures and enable development of evidence-based solutions and the cross-jurisdictional evaluation of various interventions.





### Assessing the *National Road Safety Strategy 2021-30* and the *National Road Safety Action Plan 2023-25*.

Road safety data are critical to assessing the progress of the *National Road Safety Strategy 2021-30 (NRSS)* and the *National Road Safety Action Plan 2023-25*, endorsed by federal, state and territory transport Ministers. Due to a lack of data, the progress of three out of five headline NRSS targets by 2030 cannot be measured as illustrated in the table below.

The NRSS also has 11 lead safety performance indicators, none of which can be assessed using publicly available data.

Road trauma affects not only the people involved in crashes but also their families, friends and colleagues, as well as medical and emergency staff, including first responders. Australia's road safety response must seek ways to mitigate these impacts. Without good data, Australia has no credible plan to understand its current road trauma problems or prevent their continuation.

National Road Safety Strategy targets by 2030	Data available to measure target	On track to achieve target
Fatalities reduced by 50 per cent	✓	✗
Serious injuries reduced by 30 per cent	Data too old (2021)	?
Zero deaths of children 7 years and under	✓	✗
Zero deaths in city CBD areas	✗	?
Zero deaths on all national highways and on high-speed roads covering 80 per cent of the network.	✗	?



## 2. Land Transport Infrastructure Investment

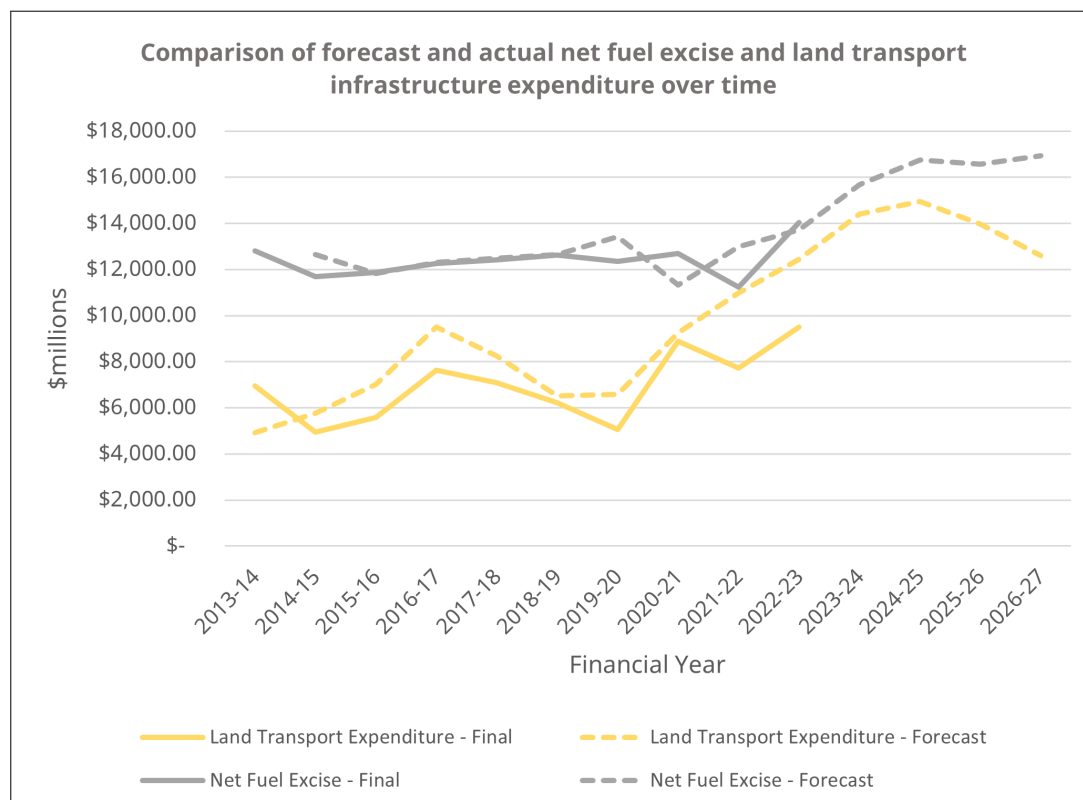
### AAA Ask: Re-invest 100 per cent of net fuel excise into land transport infrastructure.

Motorists pay 48.8 cents in fuel excise for every litre of fuel they buy (to be indexed in accordance with the Consumer Price Index in February 2024). The 2023-24 Federal Budget forecast shows that over the four years from 2023-24 to 2026-27, the Australian Government will collect \$65.92 billion in taxes from motorists. Fuel excise is only charged for fuel used on-road and hence is a proxy road user charge. As a user pays system, where motorists pay their way, 100 per cent of net revenue should be re-invested into Australia's land transport infrastructure to make it safer and more productive.

Over the forward estimates, 85 per cent of net fuel excise is forecast to be spent on land transport infrastructure according to the 2023-24 Federal Budget. In the 2022-23 financial year only 68 per cent was spent on land transport infrastructure according to the 2023-24 Final Budget Outcome.

This was lower than the 92 per cent re-investment forecast in the October 2022-23 Budget. The graph below illustrates the re-investment of fuel excise, comparing budget forecasts with the final budget outcomes and shows that net fuel excise exceeds land transport expenditure, and except for 2013-14, forecast expenditure exceeds the final expenditure.

The AAA is calling on the Federal Government to re-invest 100 per cent of revenue from net fuel excise into land transport infrastructure.



Sources: Data denoted as "Forecast" are immediate year forecasts from respective financial year budget papers (e.g. 2014-15 forecasts are from the 2014-15 Budget), except for 2024-25 onwards which are forward estimates from the 2023-24 Budget. Data denoted as "Final" are based on final budget outcomes (e.g. 2014-15 final is from the 2014-15 final budget outcome). The 2014-15 Budget was the first to itemise other fuel products, hence the 2013-14 forecast for net fuel excise is not shown.











### 3. Vehicle Technology Transition

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Australia's light vehicle fleet is undergoing a technology transition to alternative energy sources and to zero and low emission vehicles. This transition needs to be supported and managed to ensure it is successful, sustainable, and delivered at least cost to motorists. The AAA and its member clubs want Australians in the best possible position to adopt new technologies and choose the transport technology options that best suit their lifestyle, household budget, and commuting needs.

An integrated plan for technology for light vehicles is needed that addresses inter-related issues, including fuel quality, fuel efficiency, EV recharging infrastructure provision, and road-user charging reform. Inaction, and/or actions that do not consider such inter-related issues, risk delivering poor outcomes for Australians.

#### **Fuel efficiency standards, fuel quality and noxious emissions standards**

**AAA Ask: The AAA supports a fuel efficiency (CO<sub>2</sub>) standard for new light vehicles that achieves genuine environmental benefits while recognising Australian motorists' unique needs and preferences. This standard must be implemented in conjunction with recently announced measures addressing the inter-related issues of noxious emissions (Euro 6 standards) and fuel quality.**

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.

In the absence of an economy-wide emissions trading scheme, the AAA recommends the following actions specific to the transport sector.

The AAA believes strongly that Australians should have access to the best new vehicle technology available – including the best safety, emissions and fuel efficiency, and that this should be as affordable as possible for all Australians. Vehicles designed and manufactured for other developed markets, such as Europe, will have all of these technologies.

As a technology-agnostic advocate, the AAA supports introducing a fuel efficiency standard for light vehicles, and has consistently called on the Australian Government to introduce a standard to increase the supply of new technology and cleaner vehicles. The AAA is strongly committed to ensuring that any regulatory measure is carefully considered and introduced in a way that minimises costs and maintains choice for motorists. The AAA accepts that a fuel efficiency standard will increase vehicle purchase costs and this must be balanced against anticipated benefits.

Fuel efficiency standards will incentivise the transition to lower fuel consumption vehicles, including electric vehicles. Australia's fuel efficiency standard must be:

- designed specifically for the Australian light vehicle fleet
- introduced over a reasonable timeframe to avoid adverse impacts on vehicle choice and costs
- aligned with rates of emissions reduction in other jurisdictions
- flexible, with provisions for manufacturers to achieve targets through several mechanisms
- reviewed regularly to ensure chosen targets remain appropriate.

Recognising that Australia is a technology-taker and no longer has a domestic car manufacturing industry, the AAA wants Australian consumers to have access to the latest technology vehicles. These vehicles are being designed for international markets, including Europe, where they are being designed to comply with European fuel efficiency standards, meet Euro 6d or newer noxious emission standards, and operate on fuel meeting European standards.

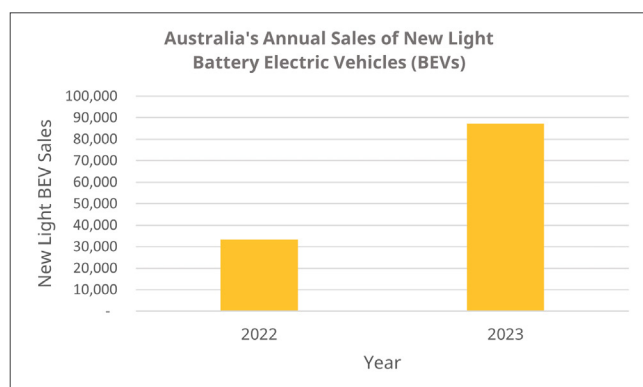
To enable the use of latest technology internal combustion engine vehicles in Australia will require higher fuel quality than is currently permitted by Australian regulation. In December 2023 the Australian Government announced changes to tighten both fuel quality standards and noxious emissions standards. Improved specifications for fuel quality will help facilitate the deployment of latest technology internal combustion engines in Australia and in conjunction with the introduction of more stringent noxious emissions standards, will deliver improved air quality and associated health outcomes for Australians and benefits for the health budget, as well as improved fuel efficiency.



## Electric Vehicle infrastructure and grid readiness

**AAA Ask: The Australian Government should utilise an inter-governmental working group to develop a national plan for rolling out charging infrastructure and working with energy suppliers to manage network capacity; supporting a coordinated roll-out; and minimising network capacity issues.**

In the absence of a fuel efficiency standard, sales of Battery Electric Vehicles (BEVs) in Australia have increased significantly over the past two years with sales of BEVs in 2023 being 161.05 per cent higher than that in 2022. BEVs accounted for almost 7.51 per cent of new light vehicle sales in the year of 2023, compared with only 3.24 per cent in 2022.



The increasing uptake of EVs will require adequate charging infrastructure and increased electricity grid capacity. This will give motorists confidence that reliable charging infrastructure is available.

The AAA notes that the *National Electric Vehicle Strategy* identifies the need to establish the resources, systems and infrastructure to enable rapid EV uptake. However, the actions through which the Commonwealth, states and territories will collaborate to ready the electricity grid for EV uptake are not clearly articulated.

The AAA welcomed the *National Electric Vehicle Strategy* announcement of a national mapping tool to support optimal investment in and deployment of EV charging infrastructure. This is expected to facilitate efficient and effective roll-out of public chargers, which should help build consumer confidence and alleviate many drivers' concerns about infrastructure availability, driving ranges and viable route options. The *Annual Climate Change Statement 2023* included several recommendations that are likely to incentivise and increase charging infrastructure.

Coordinated planning, led by the Commonwealth and addressing grid readiness including electricity generation capacity and distribution networks is essential to support the deployment of electric vehicles.

## Motoring Taxation Reform

**AAA Ask: The Australian Government should reform motoring taxation and bring electric and other zero emission vehicles into the tax system, initially at a discounted rate to avoid disincentivising their take-up.**

The AAA has long called for a more transparent land transport funding model based on a user-pays system for all motorists. Australians need a fairer, more transparent and sustainable nationally consistent model for road funding into the future.

Fuel excise is a proxy charge for road use.

But increased fuel efficiency and reduced fuel consumption will lead to a decline in fuel excise revenue in the long term. The difference in fuel consumption of different vehicles also results in some motorists paying a road user charge through fuel excise while other motorists will pay far less or pay nothing at all. This creates inequity, because motorists will pay different amounts of tax as different vehicles consume different amounts of fuel to travel the same distance on the same roads.

This inequity is further illustrated by the fact that fuel excise in 2022-23 raised \$14.03 billion, and the 2023-24 Budget papers project that by 2026-27 - despite predicted rapid uptake of EVs - this figure will have increased to \$16.9 billion. While the proportion of people paying fuel excise is falling, their collective tax bill is increasing. In general, people with lower incomes and regional Australians will be paying more than those on higher incomes and in capital cities.

The AAA's position is that electric and other zero emission vehicles should urgently be brought into the road use tax system: initially at a discounted rate to ensure this new measure avoids disincentivising the take-up of EVs and other low emission technology.

In October 2023, the High Court of Australia found in its judgment *Vanderstock v Victoria* [2023] HCA 30, that Victoria's *Zero and Low Emission Vehicle Distance-based Charge Act 2021* was invalid on the basis that it imposed a duty of excise within the meaning of section 90 of the Constitution. The High Court decision gives the Australian Government a major tax reform opportunity. The AAA welcomed the decision in December 2023 by the Council on Federal Financial Relations for the Commonwealth, states and territories to work together on long-term options for zero emission vehicles user charging in light of the High Court decision.

The AAA believes this is an opportunity to address the forecast growing inequity in the fuel excise system.





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