



PRE-BUDGET SUBMISSION 2021-22

JANUARY 2021



Introduction

The Australian Automobile Association (AAA) is the peak organisation for Australia's motoring clubs (NRMA, RACV, RACQ, RAA, RAC, RACT, AANT) and their 8.5 million members, and advocates for policies that can make transport safe, affordable, and sustainable.

In the 2021-22 Budget, the AAA calls on the Australian Government to:

1. improve road safety outcomes via efficient investment in land transport infrastructure
2. improve consumer information regarding vehicle fuel consumption and emissions performance, which will save motorists and businesses money, while also helping the environment
3. support the transition to new vehicle technologies via motoring taxation reform
4. minimise the costs associated with the Government's work to improve liquid fuel security and ensure that these costs are shared equitably amongst all beneficiaries.

1. SAVE LIVES AS WELL AS JOBS THROUGH INFRASTRUCTURE SPENDING

Background

The AAA welcomed the significant increase in spending on land transport infrastructure in the October 2020 federal Budget, with investment increasing from \$9.25 billion in 2020-21 to \$12.89 billion in 2023-24. Importantly, included within this funding boost were several initiatives with a focus on road safety. If fully realised, these initiatives will not only deliver vital safety improvements to Australia's land transport network, but also build an important role for the Australian Government in road safety governance and leadership.

Maintain 100% spend of fuel excise for land transport

Building and maintaining a safe and efficient transport system will be central to Australia's economic recovery, which is why the AAA calls on the Government to continue allocating 100 per cent of net fuel excise to land transport infrastructure.

The AAA was very pleased to see the October 2020 Budget papers show the proportion of net fuel excise being invested in land transport infrastructure increasing from 82 per cent in 2020-21, to 98 per cent in 2021-22 and 100 per cent by 2022-23. Now that the federal government has determined that it is feasible to allocate 100 per cent of net fuel excise back into land transport, this commitment must be maintained into the future.

Motorists continue to pay their own way, with the typical Australian household expected to contribute \$1,188 in fuel excise alone in 2020-21.

Make safety a condition of funding

To enhance safety and reduce road trauma's impact on the health budget, the AAA would like to see the funding principles associated with the October 2020 establishment of the Road Safety Program extended to all federally funded infrastructure programs.

The Commonwealth is a significant funder of infrastructure that is built, owned and operated by state, territory and local governments. The AAA has long advocated for the Commonwealth to require its funding of infrastructure projects be used to ensure road safety is prioritised and road trauma is reduced.

The AAA commended the federal government's \$2 billion Road Safety Program announced as part of the October 2020 Budget, with funding available to state and territory governments for road safety projects on a "use it or lose it" basis.

Significantly, states and territories are also required to provide road safety data as a key condition of funding.

This model of funding signifies 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, and has the potential to deliver a clearer understanding of the risk profile of our land transport network in its entirety. Consistent data reporting will also enable the Commonwealth to hold all jurisdictions to account for road trauma reduction targets.

Expend funds within set timeframes

The AAA was pleased to see the Government's announcement that funding under the new Road Safety Program will be provided to states and territories on a "use it or lose it" basis. The AAA believes this will provide an important imperative for jurisdictions to act quickly to ensure project development and implementation is fast-tracked before funding will be forfeited to another jurisdiction.

The AAA would like to see similar conditions incorporated in more infrastructure programs to incentivise the delivery of projects (and associated economic stimulus) within allocated timeframes.

Keep safety at the heart of transport infrastructure

While we have seen important announcements regarding safety specific infrastructure funds, it remains vital that the Commonwealth insists on safety benefits being a key criterion in the selection of *all* transport infrastructure projects for investment.

Enhanced transparency of road project proposals – which demonstrate safety benefits that have been quantified by agreed objective standards – will save lives.

Maintain funding levels in safety specific infrastructure programs

The October 2020 Budget included a welcome boost for safety specific infrastructure programs as an important economic stimulus measure. The AAA calls on the Government to maintain levels of funding for programs such as the Black Spot Program at \$137 million in 2020-21 and 2021-22, and ongoing funding for the Road Safety Program.

Invest in priority infrastructure projects

Australia's motoring clubs have identified a priority list of road and transport infrastructure projects in every state and territory that require urgent attention. Full list included on pages 8 - 12.

2. INTRODUCE REAL-WORLD EMISSIONS TESTING

Background

Australian motorists and fleet managers need more accurate information regarding vehicle emissions and fuel consumption.

The Volkswagen AG emissions scandal showed how carmakers are optimising vehicle performance in laboratory tests used for compliance with emissions regulations. Subsequent studies have found the gap between laboratory and real-world vehicle performance has been getting wider each year, as carmakers are asked to meet increasingly stringent emissions standards.

In response, real-world testing is now used as part of the European Union's regulation of vehicle emissions and the processes regulating its use are clear and well understood.

A AAA pilot study evaluating the difference between the laboratory results and the on-road environmental performance of popular Australian vehicles found:

- the 30 vehicles tested used up to 59 per cent more fuel on road than as advertised (the average was 23 per cent)
- 11 out of 12 diesel cars tested were above the limit for one or more noxious gases, with one car emitting more than seven times the limit.

An Australian-based, non-regulatory, on-road, real-world vehicle emissions testing program that is consistent with international developments would measure new vehicles' emissions performance and fuel consumption with results published on the Government's Green Vehicle Guide website.

Informing consumers regarding poor performing vehicles will reduce demand for them (particularly from fleet buyers), it will influence the decisions of carmakers, and it will reduce ownership costs and vehicle emissions in Australia.

Analysis of this testing shows that misleading fuel consumption labels – based on lab tests that do not reflect real-world driving conditions – are costing new car buyers up to \$600 per annum in additional fuel costs.

A better way to test fuel consumption and emissions

In the wake of the Volkswagen AG emissions scandal, Europe has taken steps to enhance new vehicle emissions regulations with a real-world driving test, and use real-world emissions testing to provide more accurate information to consumers.

A similar regulatory approach is not currently possible due to Australia's unique fuel/vehicle market. However, a non-regulatory test program to provide real-world information to consumers about emissions and fuel consumption offers a market-based mechanism to influence the new vehicles being purchased in Australia, independent of fuel quality standards and vehicle regulations.

AAA polling shows that consumer trust in manufacturer claims has been damaged following the Volkswagen AG emissions scandal. Seventy-eight per cent of Australians surveyed support emissions testing being done on-road to better reflect actual driving conditions.

The AAA estimates it would cost about \$3 million annually to subject 60 vehicles per year to an on-road test similar to that piloted by the AAA. If 60 vehicles were tested every year, within two years results would cover about 60 per cent of new vehicle sales.

For \$3 per new vehicle sold in Australia, Australian consumers could have access to real-world testing information for most new cars sold on the Australian market. Real-world testing already applies to heavy vehicles in the US and light vehicles in Europe.

3. REFORM TAXATION IN THE FACE OF TECHNOLOGICAL TRANSITION

Background

The federal government collects 42.3 cents in tax or 'excise' on every litre of petrol and diesel sold at the pump in Australia and paid by operators of road vehicles when these are being driven on public roads. The 2020-21 federal Budget projects that \$49.36 billion in net fuel excise will be collected over the next four years. The Government relies on this revenue to be able to fund land transport infrastructure.

The AAA supports the October 2020 federal Budget's focus on transport infrastructure. Over the next four years, land transport infrastructure spending is expected to increase from \$9.25 billion in 2020-21 to \$12.89 billion in 2023-24. Compared to the previous Budget's estimates, land transport infrastructure spending will increase by around \$17.24 billion over the four years.

The October 2020 Budget shows that the proportion of net fuel excise returned to land transport infrastructure will increase from 82 per cent in 2020-21 to a peak of more than 100 per cent in 2022-23 before settling at 98 per cent in 2023-24.

Unsustainable reliance on fuel excise

Rapid changes to vehicle technology and use patterns mean Australia needs to urgently reform the way its land transport system is funded and taxed.

Despite growth in population, the vehicle fleet and total vehicle kilometres driven, revenue from fuel excise continues to decline in real terms as newer, safer vehicles with reduced fuel consumption enter the fleet. Revenue will further decline with the projected growth in electric and alternatively fuelled vehicles. Growth in new and novel modes of transport such as connected and autonomous vehicles, mobility as a service and car-sharing will encourage more personalised and dynamic transport services, and could fundamentally change travel behaviour.

Irrespective of these technological shifts, fuel excise is an inequitable tax. It means drivers of different cars pay different amounts to use the same road. People on lower incomes often have a heavier burden because they tend to own older, thirstier vehicles. They are also likely to live in outer suburbs or regional locations and have fewer public transport options.

Vehicles that do not use liquid fuel, such as electric vehicles (EVs) are outside the fuel excise system, meaning their owners are not paying to use our roads in the same way as others. As a first step towards comprehensive taxation reform, all light vehicles should be subject to either the fuel excise system or a per-kilometre road user charge (but not both).

Because of its reliance on fuel excise, current land transport funding is sensitive to changes in the uptake of EVs and other alternatively fuelled vehicles. Government projections estimate that EVs will make up 26 per cent of new car sales by 2030.¹

¹ Australian Government, *Australia's emissions projections 2020*, December 2020.

The need for a nationally consistent road user charge

In the absence of decisive federal leadership, some state governments have announced their intention to bring EVs and other ultra-low fuel consumption vehicles (ULFCVs) into their respective tax systems from 2021. This undermines the federal government's role in funding transport-related activities. With 100 per cent of fuel excise being spent on land transport infrastructure from 2022-23, it also undermines the Government's revenue base for land transport funding.

Separate, state-based and inconsistent tax systems risk policy failure. Different policy objectives, rushed implementation, dispersed governance arrangements, inadequate collaboration and the vagaries of different political cycles could result in confusion and unfairness.

This developing scenario needs urgent national leadership and coordination to deliver a nationally consistent, distance-based road user charge in a framework that can support the further stages of motoring taxation reform. This will avoid creating inconsistent tax systems that disincentivise the renewal of Australia's light vehicle fleet while maximising the benefits of technological advances in motoring. The federal government has a leadership role in the reform of motoring taxation and the effective and sustainable transition to new vehicle technologies.

To make this transition successful the AAA calls on the Australian Government to:

- work with states and territories to deliver a nationally consistent, distance-based road user charging system for ULFCVs that does not disincentivise uptake
- remove Luxury Car Tax and tariffs on all ULFCVs to reduce upfront costs
- introduce specific Fringe Benefits Tax treatment for ULFCVs to reduce costs
- work with states and territories to develop a nationally consistent approach to reducing (or applying short term exemptions to) existing state-based taxes and charges for ULFCVs. (Reducing or removing these costs will lower both ownership and running costs.)
- pursue interoperability initiatives with EV recharging stations, such as setting recharging plug standards, ensuring open access to all recharging infrastructure, and single identification/payment methods (This will ensure recharging compatibility across all EVs and maximise the availability of recharging stations.)
- work with states and territories to streamline building approvals for EV recharging infrastructure to ensure easy installation of home recharging infrastructure in apartments and in rental homes, as well as recharging infrastructure in car parks and other public locations
- establish an intergovernmental working group to develop a national plan for the roll-out of recharging infrastructure and work with energy suppliers to support a coordinated roll-out and manage network capacity issues
- provide low interest loans for EV home chargers, potentially through existing sources such as the Clean Energy Finance Corporation, to assist in reducing upfront costs
- support enabling works and/or provision of low interest loans for installation of highway and destination EV recharging infrastructure to support private investment in recharging stations
- develop education campaigns about ULFCVs and information about EV recharging infrastructure availability, as consumers informed about EVs are more likely to purchase one.

4. SHARE THE COST OF LIQUID FUEL SECURITY

Background

Australia is a net importer of liquid fuel and sources it from several different countries worldwide. Australia has three remaining domestic oil refineries; four others have closed in the past decade and have been converted to import terminals for refined fuels produced overseas. The impact of COVID-19 on supply chains has highlighted Australia's vulnerability to disruption of supply of imported products, including liquid fuels.

Share the costs of securing fuel supplies

There are national benefits from liquid fuel security and there are many users of liquid fuels that benefit from improved fuel security.

However, the costs associated with fuel security are considerable – the Australian Government has announced \$200 million of co-investment to increase domestic storage capacity of diesel, and a \$2.3 billion production payment to assist in retaining domestic refining.

Each of these costs requires careful evaluation to ensure they represent best value for money and that other alternatives are not a better investment.

Most importantly, it is critical that the costs associated with programs to enhance fuel security are shared by all users of these liquid fuels.

Minimise the costs of fuel security

An overarching energy security strategy and a comprehensive liquid fuel security strategy are required to provide a holistic solution. This should address not only domestic refining and storage capacity, but also reducing dependence on liquid fuel through reduced fuel consumption of vehicles and diversification of energy sources for vehicles.

Consumers can save money on fuel and can do this by choosing a vehicle that consumes less fuel. This can assist in reducing greenhouse gas emissions and can also provide energy security benefits by reducing demand for liquid fuels. However, the mandatory information provided to consumers regarding the fuel consumption of vehicles based on laboratory testing is flawed and misleading (see section 2 of this submission). Improved consumer information from a real-world emissions testing program would assist consumers in saving money and reduce dependency on liquid fuels.

Encouraging the take-up of vehicles powered by energy sources other than conventional liquid fuels would also reduce demand for liquid fuels and improve fuel security.

A fuel consumption or CO2 emissions standard, appropriately designed for the Australian fleet, would also assist in reducing fuel consumption of vehicles and encouraging the uptake of zero emission vehicles. However, if the standard is based on laboratory testing, it would need to be complemented by a real-world emissions testing consumer information program.

Infrastructure priorities



New South Wales

M6 Motorway	M6 Motorway extensions – Stages 2 and 3 from Kogarah to Loftus plus road upgrades to Sydney Airport and Port Botany.	\$10,000
Princes Highway	Road safety and capacity upgrades from Nowra to the Victorian border.	\$5,000
Local Council Road Maintenance Backlog	Increase Roads to Recovery funding to address local road funding shortfalls.	\$2,100
Northern Beaches Transport Corridor	Western Harbour Tunnel: Third road crossing Rozelle (north extension node of Westconnex) across Sydney Harbour to North Sydney. Northern Beaches Link: Potential road, bus and rail options to improve connection to the Northern Beaches.	\$8,000
Regional Highway Upgrade Package	Newell, Mitchell, Great Western, Barton and Kings Highway upgrades – major safety upgrades including duplication, overtaking lanes bypasses, flood mitigation on the Newell Highway and other safety enhancements.	\$8,000
Passenger Rail Upgrades	a) Western Line Rail Capacity Improvements: Connectivity between Parramatta and Sydney CBD, access to Western Sydney Airport.	\$7,500
	b) Sydney Metro: Rail connections from Chatswood to Bankstown and possible extensions to South West Sydney.	\$8,000
	c) Newcastle – Sydney and Wollongong rail line upgrades: Faster rail connections between Newcastle, Wollongong and Sydney CBD.	\$5,000
Parramatta Light Rail	Secure partial funding for Stage 2 connection from Parramatta CBD to Sydney Olympic Park.	\$1,500
Total (\$millions)		\$55,100

Australian Capital Territory

Canberra Public Transport	Improve public transport capacity – Indicative bus transit corridors Canberra CBD to Belconnen and Capital Hill to Queanbeyan.	TBA
Canberra Metro Stage 2	Secure funding/procurement commitments for Metro Stage 2, linking Metro with major town centres and Canberra Airport.	TBA
Canberra CBD to North corridor	Upgrade Canberra CBD to North corridor to reduce congestion.	TBA
Total (Millions \$)		TBA



Victoria

Metro Rail Tunnel 2	Prepare the business case for Melbourne Metro 2.	TBA
Regional Safety and Maintenance	Implement regional highways AusRAP safety and maintenance program;	\$2,000
Melbourne Airport Rail Link	Construction of a high speed direct connection between Melbourne CBD and Melbourne Airport.	\$5,000
Cycling access to Melbourne CBD	Delivery of bicycle superhighways within inner city Melbourne, as outlined in Infrastructure Australia's Infrastructure Priority List.	TBA
Western Rail Plan	Funding of rail infrastructure for some of Australia's fastest growing metropolitan and regional areas through the Western Rail Plan. This includes fast rail to Geelong, improvements to the Bendigo and Ballarat lines, and metropolitan services for Wyndham and Melton.	TBA
Total (Millions \$)		\$7,000



South Australia

Dukes Highway	Progressively duplicate the route between Tailem Bend and the SA/Vic border and install vehicle-to-infrastructure technology to improve safety.	\$2,000
Augusta Highway	Staged duplication of the Augusta Highway between Copper Coast Highway and Port Augusta.	\$1,300
Seaford Rail Line Extension to Aldinga	Extend the line to Aldinga to provide the rapidly growing community with a fast, reliable and environmentally clean connection to Adelaide and the southern suburbs.	\$600
Cross Road Rail Separation	Cross Road Rail Separation to ensure safety and efficiencies are made prior to the completion of the north-south corridor.	\$250
Total (Millions \$)		\$4,150

Bruce Highway, Warrego Highway and Pacific Motorway / Coomera Connector	Commit additional yearly funding (+50%) to fast track all Bruce Highway Upgrade Program (15 year) and Bruce Highway Trust – safety, capacity and flooding projects (from \$800 million/year to \$1.2 billion/year federal contribution)	\$1,200 annually
	Commit funding to fast track Warrego Highway additional lanes, safety improvements, interchange upgrades and service road improvements between Ipswich and Toowoomba. Continue to invest in accelerating the Warrego Highway Upgrade project for major upgrades between Toowoomba and Miles.	\$1,200
	Commit funding for planning and design of Stage 2 of the Coomera Connector (Coomera to Logan Mwy) as a multi-modal corridor to relieve pressure on the M1 (\$10M), and funding for Exit 38 interchange upgrade and Managed Motorways projects along existing M1 from Brisbane to NSW border.	\$100
Urban motorway upgrades – Centenary Motorway, Ipswich Motorway, Gateway Motorway, Mount Lindesay Highway and Mooloolah Interchange	Centenary Motorway Capacity project – Commit funding for additional lanes/widening, interchange and safety upgrades between Ipswich Motorway and Toowong/Legacy Way tunnel.	\$800
	Ipswich Motorway – Remaining sections (Rocklea to Darra) – Commit to completion of Stage 2 Ipswich Motorway, Rocklea to Darra, and planning/design of future capacity upgrades from Riverview to Gables.	\$850
	Accelerate planning and delivery of Gateway Motorway North (Bracken Ridge to Bruce Hwy) project to relieve congestion and provide consistent capacity.	\$800
	Continue to invest additional funding for fast tracking delivery of capacity, safety and flooding upgrades identified in the Mount Lindesay Highway 10-year forward plan (2018-2028).	\$500
	Partner with Queensland Government to deliver the upgrade of the Mooloolah River Interchange at Mountain Creek.	\$215
Rail Infrastructure and Railway Level Crossing Upgrade Program	Commit funding to deliver Kuraby to Beenleigh rail line capacity improvements and plan for investment in future rail corridor and capacity projects – Springfield to Ripley/Ipswich Rail Extension, Manly to Cleveland Rail duplication and Salisbury to Beaudesert Rail.	\$150
	Commit additional funding to fully complete Beerburrum to Nambour Rail Upgrade to take pressure off the Bruce Highway.	\$230
	Commit to working with council and state government and funding a rolling Railway Level Crossing Upgrade Program to grade separate at least one open level crossing per year (approx.\$80M/yr, e.g., Boundary Road, South Pine Road, Cavendish Road, Warrigal Road, Lindum Road and Wacol Station Road.	\$320
Cycling and active transport including Brisbane Green Bridges	Commit to funding projects on the Principal Cycle Network (\$50M/yr), and assist Brisbane City Council in delivering Green Bridge proposals (\$50M/yr).	\$400
Inland Highway and regional road safety and productivity improvements (AusRAP)	Provide 80% funding share of the Inland Highway alternative from Charters Towers to Mungindi (\$800M to match QLD Government 20%) and bring forward and increase other funding for regional road productivity improvements in QLD as prioritised and delivered through multiple programs such as ROSI, Inland QLD Road Network Strategy, TranSIT, Roads to Recovery, Northern Australia Roads and Beef Roads.	\$800+
Total (Millions \$)		\$11,165 (over 4 years)



Western Australia

Regional Road Safety Program	Commit funding in full for the WA Government-backed strategic program to deliver low-cost treatments across 17,000km of WA's regional road network to save thousands of lives and serious injuries and create significant job and training opportunities.	\$900
Metropolitan Intersection Safety Improvements	Commit funding towards the WA Government-backed strategic program to deliver lower cost, network-wide treatments to address common challenges at different intersection types to create a safer road network across metropolitan Perth.	\$50
	Continue to commit funding towards the rolling program of intersection grade separations and upgrades to improve safety, as well as efficiency, on strategically important corridors such as WA's major highways to bring these up to freeway standard.	\$250
Cycling Infrastructure Projects	Commit funding towards the completion of Perth's Principal Shared Path network, to provide continuous and safe cycling infrastructure to / from the Perth city centre and strategically important connectors to activity centres and green bridges.	\$80
	Commit funding for green bridges to address severance issues and increase cycling catchments for the Perth city centre and major activity centres, delivering safety, health and productivity benefits.	\$250
Smart and Clean Transport Technology Solutions to Optimise and Future Proof the Transport System	Commit funding to accelerate the transition to clean (public and private) transport, including the wider roll out of recharging infrastructure in WA and exploring tax incentives and subsidies, to reduce harmful vehicle emissions and the impacts on human health and the environment.	\$30
	Commit funding to prepare for a future with automated and connected vehicles, helping to position WA and the nation to capitalise on advancements in technology and future proof new infrastructure.	\$50
	Commit funding towards Intelligent Transport Systems, including technologies to enable road and public transport optimisation and real-time traveller information to maximise the value of existing and future transport infrastructure investment.	\$250
	Commit funding to implement a program of measures to optimise Perth's heavy rail system (including signalling system and supporting station upgrades) to make the best use of existing rail assets and cater for increasing demands.	\$1,000
Public Transport Infrastructure	Commit funding towards a rolling program of road/rail grade separations and other solutions to remove level crossings (including William Street, Wharf Street, Kelvin Road and Hamilton Street on the Armadale Line, Caledonian Avenue on the Midland Line, and Victoria Street and Jarrad Street on the Fremantle Line) and deliver associated urban realm enhancements, improving safety, road and public transport efficiency and amenity.	\$1,100
	Commit funding towards planning and delivery of a transformational rapid transit network, prioritising connections between UWA/QEII and Canning Bridge (via the CBD and Bentley/Curtin), and also between Scarborough Beach/Stirling to Glendalough and onto the Perth CBD, to enhance access to strategically important centres for employment, retail and tourism.	\$2,000
Total (Millions \$)		\$5,960



Tasmania

10 Year Bass Highway Plan	Increase highway to a minimum AusRAP 3 star rating with a fully committed ten-year upgrade plan between Deloraine and Marrawah (\$200M in co-funding committed). This includes Christmas Hills, Parramatta Creek, Wynyard to Marrawah Burnie to Smithton and Latrobe to Deloraine improvements.	\$500
30-year Greater Hobart Mobility Vision	Focus on congestion busting measures that include an increase in public and active transport (separated cycleways), ferry services, park and ride, and current commitment for the South East Traffic solution. \$65M Years 1-5; \$31M Years 6-10 (30 year Vision) plus current commitment for South East Traffic Solution (\$350 million co-funded).	\$450
30-year Greater Launceston Mobility Vision	Funding towards feasibility study of potential Tamar River bridge, eastern bypass and ring road, as well as a central mobility hub, dedicated bus lanes on key arterials, separated cycleways in key areas and freight transit centre outside Launceston CBD.	\$300
Total (Millions \$)		\$1,250



Northern Territory

Stuart Highway	Commit funding to Stuart Highway from Darwin to Pine Creek for major upgrade works, including additional overtaking lanes, strengthening and widening of pavements, guardrail installations, signage and intersection works that achieve minimum AusRAP 3 star rating.	\$198
Tiger Brennan/Berrimah Road	Accelerate delivery of the Tiger Brennan/Berrimah road overpass.	\$60
Total (Millions \$)		\$258

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