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MEMBER OF



Mr. Peter Harris
Chairman
Productivity Commission
Locked Bag 2, Collins St East
MELBOURNE VIC 8003

6 December 2016

Increasing Australia's Future Prosperity: 5 Year Productivity Review

Dear Mr Harris

I write to you in relation to the discussion paper *Increasing Australia's Future Prosperity: 5 Year Productivity Review*. The Australian Automobile Association (AAA) supports the Productivity Commission's review into how Australians can 'do things better', delivering stronger long run economic growth.

The AAA is the peak organisation for Australia's motoring clubs and their eight million members. The AAA advances the interests of all road users across Australia to ensure land transport networks are safe and sustainable, and that the cost and access to transport is fair.

The AAA strongly welcomed the Australian Government's recent response to the Infrastructure Australia Infrastructure Plan, particularly the Government's commitment to a study into the potential benefits and impacts of road user charging for light vehicles.

Australia's energy, telecommunications and water sectors have been transformed over recent decades through microeconomic reforms which have delivered increased efficiency, lower costs and enhanced quality.

Market reform of the transport sector has the potential to be the next significant microeconomic reform that will boost economic growth and increase productivity.

Infrastructure in Australia is currently underfunded and taxes and charges are opaque, resulting in a weak relationship between actual use of the road network and associated costs. Recently the AAA commissioned ACIL Allen to undertake an analysis of infrastructure investment in Australia. The report found that even if the Australian Government invested the entirety of its surplus road-related revenue into land transport over the next five years, it would be barely enough to roll out ten of 82 unfunded projects listed on Infrastructure Australia's Infrastructure Priority List.¹

A reformed system will be a key pillar to securing sustainable funding to meet Australia's future land transport needs while also improving the quality of service provided to users of the system.

The AAA supports the development of a model for road user charging subject to the policy principles outlined in the attached *AAA Policy Position on Transport Market Reform* document. The Position Paper has been endorsed by the AAA Board and our constituent motoring clubs and builds on over 50 years of advocacy in this policy space.

The Policy Paper also outlines a series of practical next steps that seek to lessen the obstacles that could hinder the reform process. For example, building community understanding of the inequities of the current model by outlining fuel excise on receipts. This could improve long term understanding of both the current system and the proposed

¹ ACIL Allen report: Land Transport Funding: Transitioning to a Better Model accessed at: <http://www.aaa.asn.au/storage/1-acil-allen-land-transport-funding-transitioning-to-a-better-model.pdf>

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reform. Community understanding and acceptance will be critical to the success of any reform and the AAA and its member clubs are keen to become principle reform partners going forward.

The AAA thanks the Productivity Commission for the opportunity to comment on the discussion paper and looks forward to progressing this important economic reform going forward.

Yours sincerely

Michael Bradley
Chief Executive

Attachment: AAA Policy Position on Transport Market Reform