

Cost of Living Inquiry

RAC response to the Senate Select Committee

April 2023



For the better

24 April 2023



RAC Response to the Senate Select Committee on the Cost of Living Inquiry

Thank you for the opportunity to provide a submission to the Senate Select Committee on the Cost of Living Inquiry (Inquiry). We welcome the opportunity to provide this submission on behalf of our more than 1.2 million members. Our submission will focus on the cost of transport and need for broader road user pricing reform.

About RAC

RAC is a purpose-led member organisation and since our foundation more than 115 years ago, RAC has existed to be a driving force for a Better WA. We work collaboratively with government, industry, our members and all Western Australians to champion change that will deliver safer, sustainable and connected communities. RAC's social and community impact activities seek to:

- reduce the number of people being killed or seriously injured on our roads;
- lower vehicle emissions for cleaner, healthier air; and
- ensure well-planned communities and transport that better connect people and places.

Affordable transport is critical to better connecting people and places. It is important that our communities can access a range of transport modes to get them where they need to go.

Ensuring that transport remains affordable is one of the highest priorities for RAC members. More than seven in ten say it is very or extremely important for the government to take action to keep the cost of motoring down and to ensure public transport is affordable¹. Furthermore, confidence in government to keep costs down is extremely low. Only one in six members say they have confidence² in government keeping the cost of motoring down, and less than one in three have confidence the government will ensure public transport is affordable¹.

¹ RAC (2022). Member Priorities Tracker: Transport choices and priorities data. 190 from the Perth and Peel region, 66 from regional WA and four members currently outside WA. Age, gender and location sampling quotas were applied, and data has been post-weighted to be representative of RAC's membership (which is broadly consistent with the WA population profile) – the margin of error at total sample level is +/-6.12% at the 95% confidence level. Reports available at: <https://rac.com.au/about-rac/advocating-change/reports/member-priorities-tracker>.

² Members who said they were very or extremely confident in government plans to do this.

The cost of transport has been increasing relative to inflation

The cost of living is rapidly increasing and transport even more so, with the Australian Bureau of Statistics reporting far greater increases in the transport component of the consumer price index relative to all groups (e.g. 13 vs 6 per cent) for quarterly releases between June 2021 and June 2022³. To provide a few key statistics:

- Perth and Bunbury households spend around 14 per cent of their income on transport, which equates to almost \$20,000 and \$19,000 per year respectively⁴.
- People have indicated that rising costs have affected them personally with RAC members saying they spent almost \$900 more on average in the last year to run their car. Two-thirds of members say they have taken action in the same period to try to reduce their motoring costs⁵.
- Motor vehicle registration fees have increased by around 80 per cent in the past 10 years – around four times the rate of inflation⁶. These fees were increased again by four percent in the most recent State Budget⁷.
- A single car household would have saved more than \$1,000 over the past decade if registration fees had increased at the rate of inflation⁶ and more could have been saved had fee increases been kept below inflation.
- In the last five years the typical Perth household has paid approximately \$15,000 for public transport. This is around \$4,405 more than the average figure across Australian capital cities⁴.

The cost of mobility in our state has become a greater burden on family households, even more so than the general cost of living. To lessen this burden, RAC is seeking that the State Government implement a three-year freeze on increases to motor vehicle registration fees and public transport fares. This would also help to bring registration fee increases more in line with inflation⁶.

Motorist taxation

Governments at all levels raise revenue from motorists. In fact, it is estimated that for the 2021-22 financial year, a total of \$5.68 billion was estimated to be raised through motorist related fees, taxes and charges by all levels of government (\$2,975 per motorist)⁸. Fuel excise (particularly on diesel) makes up the largest share of motorist taxation raised by the Commonwealth, however, this share has been declining for many years, largely as a consequence of increasing fuel efficiency across the Australian vehicle fleet⁹. While fuel excise in terms of total revenue is expected to continue increasing in the near term⁸, with the introduction of hybrid and electric vehicles (EVs) as well as ongoing vehicle efficiencies, there will need to be a longer-term plan for generating revenue to fund transport in this country.

³ ABS (2022). Consumer Price Index, Australia – Transport component of CPI for Perth June 2022. Retrieved from: <https://www.abs.gov.au/statistics>.

⁴ AAA (2022). Transport Affordability Index – Q4 2022. Retrieved from: <https://data.aaa.asn.au/transport-affordability>.

⁵ RAC (2022). Member Priorities Tracker: The Cost of Transport. 267 respondents from the Perth and Peel region, 61 from regional WA. Age, gender, and location sampling quotas were applied, and data has been post-weighted to be representative of RAC's membership (which is broadly consistent with the WA population profile) – the margin of error at total sample level is +/-5% at the 95% confidence level. Reports available at: <https://rac.com.au/about-rac/advocating-change/reports/member-priorities-tracker>.

⁶ RAC analysis of registration fees in WA based on previous State Budget papers, assuming a sedan with tare weight of 1,600kg. The analysis excludes motor Injury Insurance, recording and driver's licence fees.

⁷ Government of Western Australia (2022). WA State Budget 2022-23 – Budget Paper no. 3. Retrieved from: <https://www.ourstatebudget.wa.gov.au/budget-papers.html>.

⁸ Acil Allen (2022). Benefits to Western Australian Motorists from Taxes, Fees and Charges 2021-22 to 2025-26. Report to RAC.

⁹ Australian Parliamentary Library (2016). Parliamentary Library Briefing Book, Revenue from road use. Retrieved from: https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook45p/FundingRoads.

In 2021, the Victorian Government implemented a stand-alone road user charge specifically for EVs and both NSW¹⁰ and WA have plans to implement one in 2027. There has been commentary¹¹ that these taxes are being proposed due to EV impacts on future fuel excise revenue and to ensure these motorists pay their ‘fair share’ to use the roads¹². The AAA and other organisations have similarly called for the immediate inclusion of EV users in the tax system. RAC does **not** support a new tax for EV owners without a genuine broader reform of motorist taxation.

The cost of shifting to low and zero emissions vehicles

As part of a global response to climate change, the Australian Government has committed to reduce the nation’s greenhouse gas emissions by 43 per cent below 2005 levels by 2030¹³. As the road transport sector in Australia was responsible for almost one quarter (22.9 per cent) of all carbon dioxide (CO₂) produced in Australia in 2020 and 16 per cent of CO₂-e, decarbonisation of this sector is particularly important. Cars and light commercial vehicles alone contributed 16.6 per cent of total CO₂ emissions and 11.6 per cent of CO₂-e produced¹⁴. In addition to this, vehicles also produce several harmful emissions while driving, including oxides of nitrogen (NOx), which directly impact human health and contribute to the formation of other harmful pollutants. The most current and comprehensive data available on road vehicle emissions in Australia, from New South Wales, shows that vehicles account for around 55 per cent of NOx in the Sydney region¹⁵.

A RAC member survey¹⁶ in 2022 has shown that while 47 per cent of new car owners considered vehicle exhaust emissions very or extremely important when considering purchase of a new vehicle, even more prioritised purchase price (76 per cent) and ongoing costs (63 per cent). And when it comes to low and zero emission vehicles specifically, another recent RAC member survey¹⁷ found 19 per cent thought they would be likely to consider a hybrid next time they were in the market for a new vehicle and an additional 31 per cent an EV. The **high cost of purchase** was the top cited barrier (67 per cent) to considering purchasing an EV or hybrid.

Now, more than ever, is an opportune time to support moves to increase uptake of low and zero emission vehicles, particularly when consumer awareness and interest in environmental issues is growing and choice within the new vehicle sales market is increasing. In the absence of a conducive

¹⁰ NSW will implement a charge for EV users in 2027 or when EVs make up 30 per cent of new car sales, whichever comes first.

¹¹ Vic Roads (2020). ZLEV Road-user charge. Retrieved from: <https://www.vicroads.vic.gov.au/registration/registration-fees/zlev-road-user-charge>.

¹² <https://www.nsw.gov.au/driving-boating-and-transport/road-user-charge> and <https://www.mediastatements.wa.gov.au/Pages/McGowan/2022/05/WAs-climate-action-efforts-accelerate-with-60-million-dollar-EV-package.aspx>.

¹³ Prime Minister of Australia (2022). Australia legislates emissions reduction targets (media release 8 September). Retrieved from: <https://www.pm.gov.au/media/australia-legislates-emissions-reduction-targets>.

¹⁴ Australian Government (2022). Australia’s National Greenhouse Accounts, 2020, National Greenhouse Gas Inventory – UNFCCC classifications. Retrieved from: <https://ageis.climatechange.gov.au/>.

¹⁵ Australian Government (2020). Heavy Vehicle Emission Standards for Cleaner Air Draft Regulation Impact Statement. Retrieved from: <https://www.infrastructure.gov.au/sites/default/files/migrated/vehicles/environment/forum/files/heavy-vehicle-emission-standards-for-cleaner-air.pdf>

¹⁶ RAC 2022 Member Priorities Tracker: Vehicle Safety survey. 244 respondents from the Perth and Peel region and 90 from regional WA. The survey was restricted to members who have a driver’s licence and where there is at least one motor vehicle in their household. Age, gender, and location sampling quotas were applied, and data has been post-weighted to be representative of RAC’s membership (which is broadly consistent with the WA population profile) – the margin of error at the total sample level is +/- 5.36 percentage points at the 95% confidence level. 126 new car owners answered the question: How important are the following factors to you when considering buying a new vehicle?

¹⁷ RAC 2022 Member Priorities Tracker: Sustainability survey. 454 from the Perth and Peel region and 104 from regional WA. Age, gender and location sampling quotas were applied, and data has been post-weighted to be representative of RAC’s membership (which is broadly consistent with the WA population profile) – the margin of error at total sample level is +/- 4.15% at the 95% confidence level.

regulatory environment (e.g. fuel efficiency standards) and without many meaningful and targeted incentives to increase EV uptake (and in particular by those that drive the most), the impact of a standalone EV tax would likely stifle EV uptake amongst the majority that consider cost a key barrier.

Where we stand on road user pricing

A state-based, piecemeal approach will not provide a solution to the projected decline in fuel excise revenue and risks further complicating the progression of national reform of road user charging in Australia. Outside of broader tax reform, RAC does not support the introduction of a new and additional tax targeting EV users in WA; the preferred approach is to incentivise uptake, particularly in the early stages while fleet penetration remains low.

To respond to issues associated with declining fuel excise revenue and the need for a more equitable, efficient and effective funding model, RAC supports consultation on, and development of, a new road user charging model encompassing all vehicles and considering the holistic impacts of road use to replace the array of existing fees and charges used to generate revenue. This should occur only as part of a genuine national reform of taxation on road users and be informed by a rigorous cost-benefit analysis of all social, economic and environmental impacts. While not ideal, with some states already moving forward with their own schemes, it will be critical that any data and learnings be used to inform this broader reform.

RAC thanks the Senate Select Committee on the Cost of Living for the opportunity to participate in the Inquiry. In support of our submission, we have also enclosed an infographic of our latest [cost of transport and sustainability surveys](#) and our [state](#) and [federal](#) budget submissions. We trust RAC's response, which is based on keeping the cost of transport both sustainable and affordable, is helpful to the Senate Select Committee.