

Better fuel for cleaner vehicles: draft regulation impact statement

SUBMISSION FROM THE MOTOR TRADES ASSOCIATION OF AUSTRALIA

About MTAA

- The Motor Trades Association of Australia (MTAA) is Australia's peak national automotive association. MTAA's membership includes the Motor Traders' Association of New South Wales, the Victorian and Tasmanian Automobile Chamber of Commerce, the Motor Trades Association of the ACT, the Motor Trade Association of South Australia and Northern Territory, the Motor Trade Association of Western Australia, and the Motor Trades Association of Queensland.
- MTAA represents new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), tyre dealers and automotive dismantlers and recyclers.
- The automotive industry is a vital contributor to Australia's economy, employing approximately 385,000 people across 13 sectors and 52 trades, and contributing 2.1% of Australia's Gross Domestic Product (GDP). The automotive industry is also one of the largest employers of apprentices and trainees nationally, and the majority of automotive businesses (96%) are small and family-owned enterprises.
- As the national-level body, MTAA represents the unified voice of Australia's automotive industry, identifying and monitoring issues affecting the automotive sector, and informing and advising Government on relevant industry impacts, trends, and proactively participating in the development of sound public policy on issues impacting the retail motor trades, small business and consumers.

General Comments

The MTAA broadly supports the Department's preferred option (2), which aims to reduce aromatics in 95 RON to 35% maximum and is said to be the lowest cost option that produces the greatest net benefit if the Government implements Euro 6d standards. MTAA support for option (2) is based on the four options provided within the draft RIS, notwithstanding the below comments and recommendations.

The MTAA supports improved fuel standards in pursuit of lower vehicle emissions but urges government to ensure Australia's unique lifestyle and diverse landscape factors are carefully considered in any regulatory changes.

Through the draft RIS, FCAI has advised that an aromatics limit of 35% for 95 RON petrol vehicles is required to meet Euro 6d standards and the MTAA does not challenge that advice.

The draft RIS states “*that Australia’s real world petrol quality is significantly better than the regulated minimum standards*” with average levels of aromatics at or significantly below the 35% maximum proposed by option 2. Combined with the imminent infrastructure upgrades to reduce sulphur levels, it is therefore overly simplistic to suggest fuel quality as the only reason for the lack of Euro 6 compliant vehicles being imported into Australia. To maintain credibility, the RIS must acknowledge other issues that impact on manufacturers’ supply decisions, including:

- Australia is such a small vehicle market, coupled with supply chain constraints, which means fewer Euro 6 products are available for Australia and
- Australian consumers require large SUVs and utility vehicles that may not be Euro 6 compliant at this stage.

MTAA understands that the draft RIS is for consultation purposes and necessarily makes assumptions to provoke and gain feedback from the industry. That said, the draft RIS fails to provide any evidence that the current fuel quality in Australia is affecting the importation of Euro 6 emission-compliant vehicles. The draft risks its own credibility by incorporating too many assumptions (and apparent extrapolations) such as this.

Similarly, stated health and environmental benefits are difficult to accept without an empirical analysis of the appropriateness of international methodology in an Australian context.

Consideration has not been given to the increased costs and ongoing maintenance of Euro 6d emission-standard vehicles. Further, a consumer cost-benefit of reduced fuel costs has been assumed without considering the purchase price and maintenance of new vehicles.

Australia is very different to Europe and other regions that have been selectively used for various comparisons in the draft RIS. Broad generalized comparisons without acknowledgement and careful consideration of Australia’s unique climate, geography, population distribution, recreational pursuits and domestic (road based) tourism culture are unhelpful at best.

Euro 6d emission-compliant vehicles like electric vehicles will no doubt cost more and may discourage consumer uptake, which could result in an increase in our already ageing fleet, consequently causing a negative effect on air pollution reduction. An increase in the age of vehicle fleets has been recorded in some regions that were early to adopt zero or low-emission vehicles.

With the cost of living, mortgages and energy prices only increasing government will need to ensure that new vehicle prices and stock availability remain viable.

For the MTAA to make an informed decision on the RIS the Department will need to provide accurate local studies and quantified information on environmental and health benefits based on option (2). MTAA urges government to undertake and publish research that thoroughly explores the likely impact of mandating option 2 on **both** the supply of new Euro 6 compliant vehicles as well as the environmental outcomes of changed consumer behaviour – such as delaying the purchase of more modern (and efficient) vehicles.

Consultation Questions from draft RIS

- 1. Is there further quantitative evidence available that demonstrates aromatics content above 35% impacts operability or necessitates more regular servicing or part replacement of Euro 6d emissions controls?**

Answer: No. That said if history is to be used in the absence of facts then history shows us that adding emission devices results in additional service and repair costs/burdens. There is a percentage of consumers that will opt to remove emission devices due to the cost of repair and replacement, this is evident with the removal of diesel particulate filters, catalytic converters and the blocking of exhaust gas recirculation devices. Sulphur content reduction in all fuels by 2024 may assist with reliability and this would need to be communicated with consumers in an effort to reduce modification of emission systems.

- 2. Are there additional costs the Department should consider in calculating regulatory burden? Please provide evidence of costs where possible.**

Answer: Yes, vehicle emission compliance for in-service vehicles will need to be considered after 5 years. Australia's average vehicle fleet is currently around 11 years old and a broad emission standard for in-service vehicles will need to be implemented to ensure emission devices are not removed. National standards should be developed, and adoption encouraged for all jurisdictions.

- 3. What are the key concerns for consumers in the event a low aromatics 95 RON standard is introduced and becomes the primary recommended petrol for new light vehicles?**

Answer: Consumers may be concerned with what has been added to the fuel to reduce the aromatics and whether this will affect vehicle reliability and performance.

Also, the transition to 95 RON as the "default" will obviously increase the per litre pump price, which will also be seen as a significant cost burden for owners of older vehicles (likely to be those who can least afford more cost-of-living pressures). This could be significantly mitigated by government incentives/grants to upgrade older vehicles.

- 4. Are there further risks to operating Euro 6d vehicles recommended to run on 98 RON petrol with Australian 98 RON?**

Answer: Manufacturer question as they will be providing the warranty.

- 5. What is the best way for the Government to partner with industry to provide the most effective education materials? Do you have any suggested approaches?**

Answer: MTAA supports government grants to support industry develop innovative methods to engage and distribute information to end-users.

- 11. Will increased data showing that Australia's diesel exceeds regulated minimum standards provide the certainty vehicle importers require to bring Euro 6d diesel vehicles to Australia?**

Answer: This is a key point – diesel standards are already globally competitive. If low petrol standards is the single barrier to manufacturers importing low emission light vehicle models, why are importers of diesel vehicles not prioritising Australia?

13. Are there any issues associated with implementing the preferred option that the draft RIS does not consider?

Answer: Supply chain issues may be exacerbated due to the Euro 6d mandate, Australia is 1% of the vehicle supply chain and requires right-hand drive vehicles.

Serviceability of the fleet, removal of emission devices due to reliability concerns and cost of repairs are common and may increase with increased emission standards as vehicles age and are no longer under the manufacturer's new car warranty.

Euro 6 vehicle performance and reliability should be monitored to ensure the suitability of vehicles in the Australian market. Consumer expectations under the ACL, consumer expectations may need to adjust to an increase in service and repair costs due to emission standards mandate. Europe may be used to assess an increase in service and maintenance costs associated with Euro 6 emission standards and although not conclusive due to environmental differences it may provide some information for the RIS.

14. Do you have any comments on the Department's proposed approach to evaluation?

Recommendation 1:

RIS to consider what level of Euro 6 emission-compliant vehicles suit Australia and what new vehicles will no longer be available. Consideration of the largest selling vehicle segments.

Recommendation 2:

Euro 6 grade/level emission standards cost-benefit analysis (consumer purchase and maintenance to be considered) RIS to quantify Health benefits of each Euro 6 level option. Option 6d may not be the best or only option – that is unclear at this stage.

Recommendation 3:

A third National in-service vehicle emission study is commissioned and includes projected emission benefits of reducing the age of our vehicle fleet. New vehicle sales only reflect a portion of the vehicle fleet and although new vehicle sales and fuel are within the scope of the Department, they may only have a limited impact on the environment and health for a period.

Recommendation 4:

Encourage vehicle replacement (upgrade or replace) Consideration of policy development to buy back early emission standard vehicles, (end of life) such as Euro 4 or older vehicles.

Recommendation 5:

RIS to recommend an update to emission testing for example 5 gas analyzers for the light vehicles (annually for vehicles 5 years and older) National Code of Practice for in-service vehicles VSB14 to be updated.

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