VACC Submission:

National Electric Vehicle Strategy

Consultation paper

31 October 2022

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About VACC

The Victorian Automotive Chamber of Commerce (VACC) is Victoria's peak automotive industry association, representing the interests of more than 5,000 members in over 20 retail automotive sectors that employ over 50,000 Victorians.

VACC members range from 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), and automotive dismantlers and recyclers.

VACC is also an active member of the Motor Trades Association of Australia (MTAA) and contributes significantly to the national policy debate through Australia's peak national automotive association.

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List of VACC Recommendations:

Recommendation 1:

That an objective pertaining to engagement and transitional support for the automotive industry be added to the Government's EV framework, to ensure that the goals of the framework are effectively delivered.

Recommendation 2:

That a further objective stating that no punitive measures will be imposed on consumers who continue to operate internal combustion engine vehicles over the transition period, be added to the EV framework.

Recommendation 3:

That the Federal Government assess global best practice concerning interventions that accelerate EV uptake, whilst engaging with industry to determine the best pathway towards achieving these aims to ensure a smooth transition for industry and consumers.

Recommendation 4:

That the Federal Government reduce the upfront purchase cost of new EVs for the private mass vehicle market, through the provision of a $10,000 EV price subsidy for each new EV sold up to a vehicle price ceiling per vehicle of $60,000.

Recommendation 5:

That vehicle stamp duty, GST and the Luxury Car Tax be removed for EV sales in order to support the Federal Government's 2030 EV targets.

Recommendation 6:

That the Federal Government incentivise the test driving of EVs through new vehicle dealerships and service departments, through the provision of a tax credit or other fiscal incentives for dealerships to deliver EV test drives to customers.

Recommendation 7:

That the Federal Government increase investment levels in high-speed public EV charging infrastructure, with the aim of having at least one high-speed EV charger for every 10 EVs on-road, and charging banks of between six to eight chargers every 50 to 75kms along major roads and highways.

Recommendation 8:

That the Federal Government consider options to legislate a right to EV charging for apartment/flat dwellers and other households that lack access to off-street EV charging or are denied the

opportunity to do so by body corporates, landlords or other entities. This could include the provision of tax incentives, grants or rebates for the installation of EV charging infrastructure.

Recommendation 9:

That the Federal Government investigate the high cost of insurance premiums for EVs.

Recommendation 10:

That any fuel efficiency standard for Australia must be part of a broader package of incentives aimed at improving the affordability, demand and supply of EVs, including price subsidies, tax credits, rebates and other incentives. A fuel efficiency standard for Australia must also take account of Australian vehicle buying preferences and choices.

Recommendation 11:

That low emission vehicles should be incentivised as we transition to zero emission vehicles. This incentivisation should occur until such time that price parity for zero emission vehicles is within reach; until sufficient infrastructure for zero emission vehicles installed nationally; and until the supply of zero emission vehicles across different vehicle categories and price points into Australia has increased sufficiently.

Recommendation 12:

That EV charging maps be made available through mobile phone apps or other platforms that show the location of the nearest EV charging stations and their operating status.

Recommendation 13:

That Government and/or industry develop and disseminate information concerning the economic and environmental value proposition of EVs to consumers.

Recommendation 14:
That a fuel efficiency standard for heavy vehicles be postponed until such time that zero-emission technologies, including battery electric and/or hydrogen fuel cell technologies are effectively commercialised across all heavy vehicle classes.

Recommendation 15:

VACC supports the Federal Chamber of Automotive Industries (FCAI) position regarding a vehicle fuel efficiency standard for Australia, which includes: -that passenger cars and light SUVs to have on average, CO2 emissions under 100g CO2 per kilometre by 2030; and that heavy SUV's and light commercial vehicles have on average under 145g CO2 per kilometre by 2030.

Recommendation 16:

That Government update the national code of practice for the modification of light vehicles (Vehicle Standards Bulletin 14) for the installation of electric drives and consider measures to reduce the cost of undertaking EV conversions.

Recommendation 17:

The uptake of all forms of zero and low-emission transport, including motorcycles, e-bikes and micro-mobility is best encouraged by a suite of policy measures that target incentivisation, affordability, consumer education and marketing, and legislative reform.

Recommendation 18:

That rapid growth in the second-hand EV market is best supported by government policies that stimulate growth in the new EV market in Australia, enabling the build up a critical mass of new EVs and consequently an expansion in the second-hand EV market.0

Recommendation 19:

That measures aimed at flooding the vehicle market with 'grey imports' of imported second-hand EVs not be encouraged due to the considerable safety, financial, and legal risks involved for consumers and businesses.

Recommendation 20:

That Government aid research and development and private investment in End-of-Life EV disposal and battery recycling programs, through the provision of R&D grants, tax incentives and other measures to strengthen the EV value chain.

Recommendation 21:

That the use of tax incentives, R&D grants, training incentives, and other measures can be used to assist local manufacturers to invest in design, engineering, capital equipment and skilled labour to build zero and low emission heavy vehicles.

Recommendation 22:

That initial dialog around a nationally consistent road user charge for all light vehicles that can potentially fund the cost of road infrastructure in the future, be instigated by Government.

Recommendation 23:

That the Federal Government, collaborate with the retail automotive industry in regards to the EV industry transition process, including the regulatory and associated impacts on businesses.

Recommendation 24:

That the Federal Government boost the employer incentives and funding for EV apprenticeship training.

Responses to Consultation Paper questions

1. Do you agree with the objectives, and do you think they will achieve our proposed goals? Are there any other objectives we should consider?

Whilst the objectives broadly align with the goals in the framework, VACC has major concerns with the objectives and goals as specified, in the context of the overall transition to electric vehicles (EVs). Overall, the objectives are centred on acquiring a quick fix– i.e., bringing more EVs into the country and motivating consumers to buy more EVs. The reality is the issues are far more complex, particularly if the government wants to ensure a smooth transition for businesses and consumers within expected timelines.

In particular, VACC believes there are some key omissions within the framework that need to be addressed. These include:

- That the automotive industry, who is at the centre the of transition toward EVs and on whom ultimately its overall success will largely depend upon, has been completely omitted from the framework. Without appropriate engagement, buy-in, and support from Government for the automotive industry to transition to electric vehicles, the goals of the framework will not be effectively met. VACC therefore recommends that an additional objective be explicitly incorporated into the framework, relating to Government engagement with and transitional support for the automotive industry to ensure the goals of the framework are delivered

- A further objective that should be incorporated within the framework relates to all consumers being treated fairly in the EV transition process, meaning there should be no punitive measures taken against consumers who continue to operate internal combustion engine (ICE) vehicles due to low-incomes and an inability to afford an EV. The Government must ensure there is no artificial division created between EV buyers and remaining ICE users.

VACC therefore makes the following recommendations in terms of the objectives and goals of the framework:

Recommendation 1:

That an objective pertaining to engagement and transitional support for the automotive industry be added to the Government's EV framework, to ensure that the goals of the framework are effectively delivered.

Recommendation 2:

That a further objective stating that no punitive measures will be imposed on consumers who continue to operate internal combustion engine vehicles over the transition period, be added to the EV framework.

Q2. What are the implications if other countries accelerate EV uptake faster than Australia?

The reality is that statistics show that most developed countries including Norway, Sweden, Germany, Netherlands, United Kingdom amongst others, are already well ahead of Australia in terms of EV uptake, and that Australia's current EV uptake (2.7 per cent[1]), is many years behind these nations. Consequently, it will take Australia a long time to be on a par with these countries.

VACC also contends, however, that the transition to EVs is not a race against other countries, and that Australia's limited uptake is not necessarily a cause for concern. Learnings from more advanced EV uptake countries provides an opportunity to assess best practice internationally, and determine which policies work well and not so well in terms of accelerating EV uptake. This may allow Australia to follow a more efficient path in the EV journey in terms of reaching its goals and objectives.

For the aforementioned countries who are much further advanced in the EV journey than Australia, the statistics show that the process and timeline for converting over an entire country's ICE fleet to EVs is a long one – taking at least 20 years[2]. In Norway, which has the highest uptake of electric vehicles in the world where 87 per cent of all new vehicles sold in 2021 were electric, only 20 per cent of its entire car fleet was electric in 2021. It is anticipated that it will take more than another decade for the entire car fleet in Norway to be fully electric. EV fleet penetration statistics for other countries are far lower[3].

Further, Australia has its own unique logistical challenges in terms of expanding its EV uptake. These include:

- having a widely dispersed population and land mass
- Australia is a net importer of passenger vehicles, placing the country at the mercy of global vehicle manufacturers to supply product into Australia
- Australia is a very small new vehicle market in global terms (one million vehicles) and being a right-hand drive market, is not at the forefront of manufacturer supply decisions
- that Australia lacks appropriate infrastructure and incentives to stimulate large increases in the demand and supply of EVs compared to other countries
- that Australia lacks a local car manufacturing capability

These issues place Australia at a comparative disadvantage in terms of accelerating its EV uptake, and it's not necessarily helpful to compare Australia's EV progress against other countries. What Australia can do, is assess best practice globally, and engage with industry to determine the best pathway forward for accelerating our EV uptake and lowering vehicle emissions, all in the context of ensuring that the transition process is as smooth as possible for industry and consumers.

[1] VFACTS September 2022 data, Federal Chamber of Automotive Industries
[2] Zero and low-emission vehicles: Insights from Europe, MTAA Electric Vehicle Delegation, September 2022
[3] https://www.iea.org/reports/global-ev-outlook-2022/trends-in-electric-light-duty-vehicles.

Recommendation 3:

That the Federal Government assess global best practice concerning interventions that accelerate EV uptake, whilst engaging with industry to determine the best pathway towards achieving these aims to ensure a smooth transition for industry and consumers.

Q3. What are suitable indicators to measure if we are on track to achieve our goals and objectives?

VACC contends that there are a variety of indicators that Government can use to measure progress against its goals and objectives. Many of these are freely available and include the following:

EV demand and affordability indicators:

- *Number and percentage of EV sales in each vehicle category and price bracket* - available from monthly new vehicle sales data (VFACTS) from the Federal Chamber of Automotive Industries (FCAI)

- *Quarterly/annual EV prices by vehicle type, size, model and brand* – available from manufacturer or dealer websites

EV supply/choice and uptake indicators:

- *The variety of new EV models arriving in Australia by vehicle type, size, category and price bracket by manufacturer* – available through VFACTS data

- *Annual EV registrations by state/territory and EV registrations as a proportion of the vehicle fleet*

Systems and infrastructure:

- *Annual public/private EV charger installations by type of charger by jurisdiction and region*
- *Distribution of public EV chargers by jurisdiction and region*
- *Average distance between public EV chargers by jurisdiction and region*

Manufacturing:

- *Annual counts of local EV related manufacturing businesses by type of activity by jurisdiction* – can be collected by the Australian Bureau of Statistics (ABS)
- *Annual employment and industry value-added ($) in manufacturing across the EV value chain* – can be collected by ABS

Emissions:

- *Quarterly greenhouse gas emissions for the road transport sector* – data is already being collected by the Department of Climate Change, Energy, the Environment and Water (DCCEW)

Saving money on fuel:

- *A CPI time series comparison of fuel prices versus electricity prices/tariffs, including the percentage change over time for each* – can be derived from ABS data
- *Index numbers relating to fuel prices and electricity prices by jurisdiction* – already available from ABS

There are also many other measures that can be used, including the modelling of specific data as required. VACC advises that whatever choice of indicators are selected by Government, they must be statistically robust and compiled through reputable sources, including the provision of appropriate metadata and explanatory information.

Q4. Are there any other measures by governments and industry that could increase affordability and accessibility of EVs to help drive demand?

Australia faces some serious barriers in the quest to increase the affordability and accessibility of EVs for consumers. Australia is essentially a 'technology-taker', who is at the mercy of profit-driven global manufacturers to supply product to our shores. Australia is also a very small market by international standards, who is also a right-hand drive market. Australia lacks the scale of EV infrastructure and financial incentives offered by other countries that have enabled them to obtain manufacturer priority in the supply of EVs and consequently accelerate their uptake.

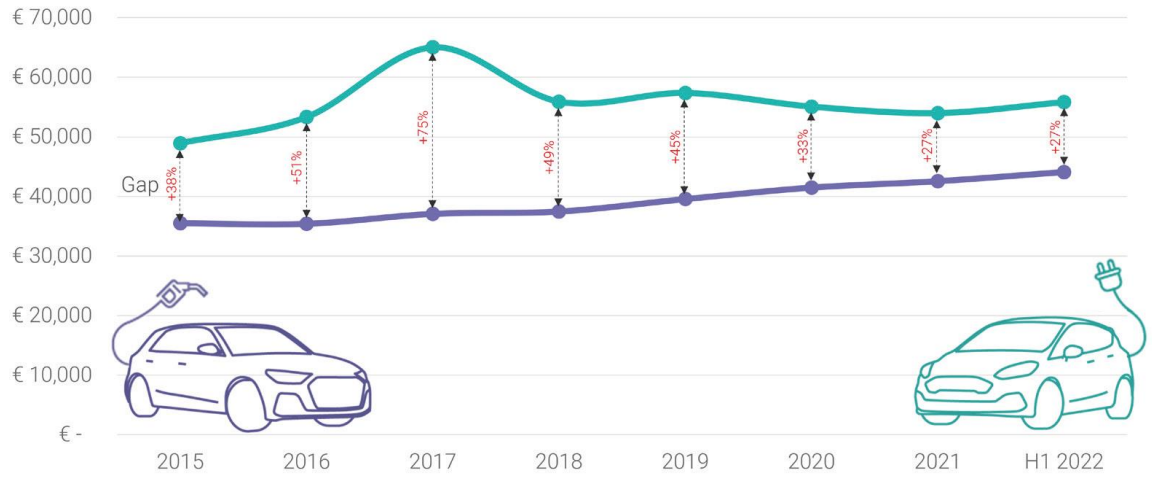
Further to this, VACC contends that the policy settings from federal and state governments to date, have not been conducive towards stimulating significant increases in consumer demand and manufacturer supply of EVs.

International experience shows that countries with much higher EV uptakes than Australia, have spent billions of dollars investing over the long-term in EV infrastructure, as well as making available generous EV price subsidies, rebates, tax credits and other incentives to facilitate a change in their vehicle markets towards EVs. Australian governments have been aware of these measures yet have tried to stimulate EV demand without adequate incentives, which has only yielded small returns thus far. Australia cannot hope to emulate the progress of more successful countries without embarking on major and comparable financial commitments from government. Furthermore, additional barriers including vehicle stamp duty, GST and the Luxury Car Tax should be targeted for removal in order to support the government's 2030 EV and 2050 net zero emissions targets.

VACC advocates for the following policy measures to increase the affordability, demand, and accessibility of EVs for Australia:

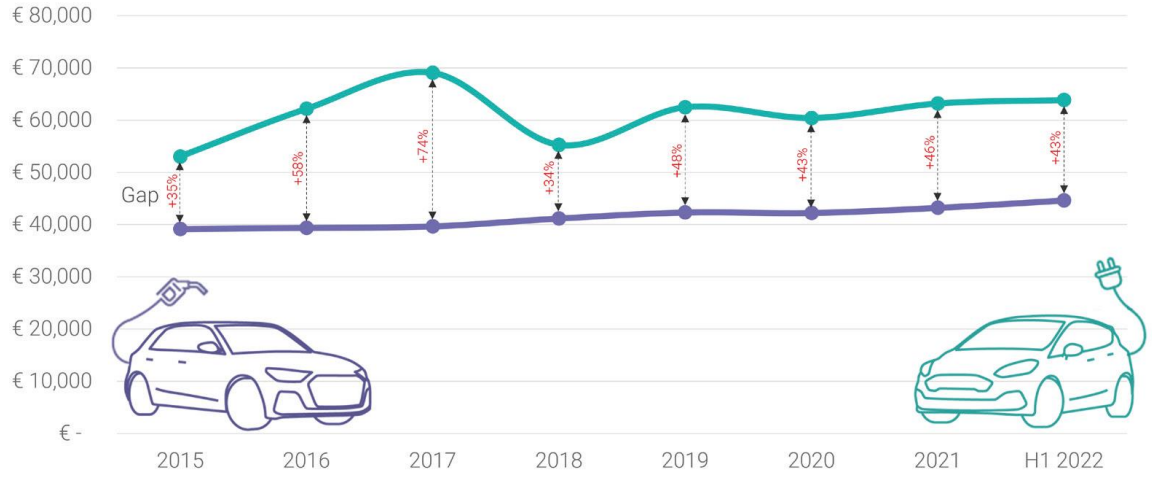
1. Due to exorbitant increases in the price of lithium and other rare earth metals and minerals used in EV battery production, price parity between EVs and ICE vehicles is now forecast to be delayed until at least 2030. This is illustrated in Charts 1 and 2 which show the gap in the average retail price of gasoline and electric cars in Europe and the United States respectively from 2015 to mid-June 2022.

Chart 1: Average retail price of gasoline and electric cars in Europe



Source: https://www.jato.com/affordable-evs-and-mass-adoption-the-industry-challenge/?from_newsroom=true

Chart 2: Average retail price of gasoline and electric cars in USA



Source: https://www.jato.com/affordable-evs-and-mass-adoption-the-industry-challenge/?from_newsroom=true

Chart 1 shows that the average retail price of electric cars in Europe remains 27 per cent above that of gasoline cars as at June 2022, whilst Chart 2 shows that in the US the respective price gap is much higher at 43 per cent. Both charts reinforce the fact that the price gap between electric and gasoline vehicles remains considerably high and has not reduced significantly since 2015. In the case of the US, electric car prices are higher in 2022 than they were in 2015, due to US consumer preferences for large trucks and SUVs. Furthermore, the trajectory of the price series in both charts indicates that price parity is not expected any time soon between electric and gasoline vehicles, until at least 2030 or possibly beyond.

The data effectively debunks any notion of a large EV uptake based on expectations of price parity between EVs and gasoline powered vehicles this decade. It also necessitates the need from Government to intervene and significantly reduce the upfront purchase cost of new EVs for the private mass vehicle market, which accounts for around 60 per cent of annual new vehicle sales in

Australia.[4] Without such intervention, the Government's EV objectives and emission reduction targets are unlikely to be achieved.

VACC's own modelling shows that if the Federal Government were to offer a $10,000 EV price subsidy for each new EV sold up to a vehicle price ceiling of $60,000, this would increase the demand for and supply of EVs in Australia by around 320,000 units over a 24-month period, resulting in an approximate 32 per cent EV share of the new vehicle market. Whilst the cost of this initiative would be over $3 billion, it would bring the Federal Government much closer to its goals and objectives. Further measures, including the removal of vehicle stamp duty, GST and the Luxury Car Tax on EV sales, would also support an even higher EV uptake in Australia.

Recommendation 4:

That the Federal Government reduce the upfront purchase cost of new EVs for the private mass vehicle market, through the provision of a $10,000 EV price subsidy for each new EV sold up to a vehicle price ceiling of $60,000.

Recommendation 5:

That vehicle stamp duty, GST and the Luxury Car Tax be removed for EV sales in order to support the Federal Government's 2030 EV targets.

2. Dealerships are usually the first point of contact or frontline for most people's experiences and education concerning EVs. There is currently little incentive for a dealer to promote or sell an EV over a comparable ICE vehicle, particularly when taking account of the reduction in vehicle servicing revenues with EVs. There is an opportunity, however, for government to change this sentiment by incentivising the test driving of EVs through dealerships and service departments. This could include the provision of a tax credit or some other fiscal incentives for dealerships to deliver EV test drives to customers. This may help stimulate a greater interest and demand for EVs amongst vehicle buyers than is currently the case.

Recommendation 6:

That the Federal Government incentivise the test driving of EVs through new vehicle dealerships and service departments, through the provision of a tax credit or other fiscal incentives for dealerships to deliver EV test drives to customers.

3. Whilst governments and the private sector are investing in public EV charging infrastructure, the scale of this investment is low by international standards. More needs to be done to raise consumer confidence concerning the availability of EV charging facilities, particularly for longer journeys and in rural/regional areas. International best practice shows that ideally there should be one high-speed EV charger for every 10 EVs on-road, and charging banks of between six to eight chargers every 50 to 75kms along major roads and highways[5] - not every 150 kilometres as is proposed for Australia.

[4] VFACTS data, Federal Chamber of Automotive Industries.
[5] Zero and low emission vehicles: Insights from Europe, MTAA Electric Vehicle Delegation, September 2022.

Recommendation 7:

That the Federal Government increase investment levels in high-speed public EV charging infrastructure, with the aim of having at least one high-speed EV charger for every 10 EVs on-road, and charging banks of between six to eight chargers every 50 to 75kms along major roads and highways.

4. Not all households are able to charge an EV at their place of residence. This is a significant barrier for many apartment/flat dwellers that lack either a separate garage or access to off-street charging. There are also body corporate and landlord issues that may hinder the installation of charging infrastructure, and thus act as a disincentive for many people to purchase an EV. Government should consider what options it can provide to affected parties in these situations, including the provision of tax incentives, grants or rebates for the installation of EV charging infrastructure. Consideration should be made by government to mandate a right for all strata and jointly tenanted property owners to have an EV charger fitted in their allocated parking space.

Recommendation 8:

That the Federal Government consider options to legislate a right to EV charging for apartment/flat dwellers and other households that lack access to off-street EV charging or are denied the opportunity to do so by body corporates, landlords or other entities. This could include the provision of tax incentives, grants or rebates for the installation of EV charging infrastructure.

5. The cost of obtaining insurance for electric vehicles has also emerged as a key barrier impacting the affordability and demand for EVs, particularly for lower-income households. Exorbitant premiums are being charged for EV insurance by some insurance companies, which can be up to 300 per cent higher than a comparable ICE vehicle. There is little justification for cost increases of this magnitude, which can negate the benefits of lower running costs of EVs and be a 'deal breaker' for many people considering the purchase of an EV. The issue of excessive prices for EV insurance should be an area of investigation by Government.

Recommendation 9:

That the Federal Government investigate the high cost of insurance premiums for EVs.

6. There is considerable conjecture surrounding the lack of a fuel efficiency standard for Australia, and the role this has in the lack of accessibility or supply of sufficient EV models to Australia. Whilst not opposed to the introduction of a fuel efficiency standard, VACC strongly contends that as a stand-alone measure, it will do little to increase the affordability of EVs. For a fuel efficiency standard to achieve its objectives, VACC argues that it needs to be part of a suite of measures targeting the upfront affordability, demand and supply of EVs. This is the experience of most countries around the world, where fuel efficiency standards are combined with EV price subsidies, tax credits, rebates, and other incentives to bring down the cost of EVs to consumers and entice the supply of sufficient EV stock into

their markets. Their success to date, has not been because of a fuel efficiency standard per se. Furthermore, VACC believes that the development of any fuel efficiency standard for Australia must take account and be reflective of Australian vehicle preferences and choices (i.e., utility vehicles and 4WDs).

Recommendation 10:

That any fuel efficiency standard for Australia must be part of a broader package of incentives aimed at improving the affordability, demand and supply of EVs, including price subsidies, tax credits, rebates and other incentives. A fuel efficiency standard for Australia must also take account of Australian vehicle buying preferences and choices.

Q5. Over what timeframe should we be incentivising low emission vehicles as we transition to zero emission vehicles?

Low emission vehicles such as hybrids and plug-in hybrids, are critical bridging technologies that enable a reduction in vehicle emissions over the transition period towards zero emission vehicles. Given their capacity to reduce vehicle emissions in the interim, it is recommended that low emission vehicles should be incentivised by Government over the following timeframes:

- Until such time that price parity between zero emission vehicles and ICE vehicles is within reach, which is now acknowledged to be near towards the end of the decade
- Until there has been sufficient infrastructure for zero emission vehicles installed nationally
- Until the supply and variety of zero emission vehicles on offer across different vehicle categories and price points into Australia has increased considerably.

Recommendation 11:

That low emission vehicles should be incentivised as we transition to zero emission vehicles. This incentivisation should occur until such time that price parity for zero emission vehicles is within reach; until sufficient infrastructure for zero emission vehicles installed nationally; and until the supply of zero emission vehicles across different vehicle categories and price points into Australia has increased sufficiently.

Q6. What information could help increase demand and is Government or industry best placed to inform Australia about EVs?

Industry and Government have important roles to play in informing Australians about EVs. Industry, and in particular vehicle dealerships, are at the frontline of most people's first interactions with an EV, and hence the quality of that first experience including the introduction to EVs, the test drive, and the information and education about EVs, are all central to consumer confidence and decision-making. It is therefore critical that government supports the incentivisation of dealerships to

undertake EV test drives with customers, as the more exposure people have to driving and learning about EVs, the more consumer demand will be generated. Dealerships also have an important role to train and educate their staff on the benefits and nuances of EVs and be able to present these to customers in a positive manner.

Government can also support the automotive industry and the community more broadly, by helping boost consumer knowledge, confidence and demand for EVs through the provision of the following information:

- The availability of EV charging maps, either through mobile phone apps or other platforms that show the location and operating status of the nearest EV charging stations. This will help reduce anxiety for drivers who are concerned about where to find the nearest charging station away from home

- Government can also help further educate consumers about EVs by providing more information about the affordability and cost savings that can be expected by owning an EV over an ICE vehicle. Many consumers remain sceptical about the value proposition of purchasing an EV. The more credible information that Government can disseminate on the economic merits of EVs, including their environmental benefits, the more informed consumers are, which may lead to a higher probability of purchase

- Vehicle manufactures can also play a key role in the marketing and messaging of the benefits of EVs, both to dealerships and the wider community. The presentation and messaging in a united way by industry and Government on EVs, can help allay many consumer doubts and positively influence the uptake of EVs.

Recommendation 12:

That EV charging maps be made available through mobile phone apps or other platforms that show the location of the nearest EV charging stations and their operating status.

Recommendation 13:

That Government and/or industry develop and disseminate information concerning the economic and environmental value proposition of EVs to consumers.

Q7. Are vehicle efficiency standards an effective mechanism to reduce passenger and light commercial fleet emissions?

Fuel efficiency standards are a widely adopted mechanism by policymakers globally to ensure new cars are more efficient and less polluting. Whist Australia is one of the few vehicle markets in the world who does not have mandated fuel efficiency standards, many vehicles currently supplied to Australia already meet a strict fuel efficiency standard.

Fuel efficiency standards place a cap on how many vehicles can be sold by a car maker without fuel-efficient vehicles (like hybrids and EVs) being added to the equation. Selling more fuel-efficient

vehicles typically reduces the fleet cap, thereby balancing sales out and reducing fleet emissions. If too many less fuel-efficient vehicles are sold, car makers may be penalised.

Fuel efficiency standards, however, can be a blunt instrument to reduce emissions when used in isolation. Typically, fuel efficiency standards are used in conjunction with other incentives and stimulatory measures by governments globally that ensure zero and low-emission vehicles are a more attractive and affordable proposition for consumers. It is only when these aspects are combined as part of an integrated package of policy measures that fuel efficiency standards are at their most effective in reducing passenger and light commercial vehicle emissions.

Q8. Would vehicle fuel efficiency standards incentivise global manufacturers to send EVs and lower emission vehicles to Australia?

Refer to Q4, Point 6 and Recommendation 10

Q9. In addition to vehicle fuel efficiency standards for passenger and light commercial vehicles, would vehicle fuel efficiency standards be an appropriate mechanism to increase the supply of heavy vehicle classes to Australia?

Fuel efficiency standards have the potential to impact heavy vehicles classes similar to that of light vehicles, however, at this point in time, battery electric vehicle technology is less advanced for heavy vehicle applications, and also hydrogen fuel cell technology is still in development. Until such time that these technologies are effectively commercialised across all heavy vehicle classes, the imposition of a fuel efficiency standard will have very little impact on the supply of heavy vehicles to Australia, including the local manufacturing of heavy vehicles which accounts for approximately half of the Australian market[6]. VACC therefore considers a fuel efficiency standard relating to heavy vehicles to be inappropriate at this point in time.

Recommendation 14:

That a fuel efficiency standard for heavy vehicles be postponed until such time that zero-emission technologies, including battery electric and/or hydrogen fuel cell technologies are effectively commercialised across all heavy vehicle classes.

[6] Ibid

Q10. What design features should the Government consider in more detail for vehicle fuel efficiency standards, including level of ambition, who they should apply to, commencement date, penalties and enforcement?

VACC contends that any fuel efficiency standard for Australia should be designed specifically for the Australian vehicle market, taking account of Australian vehicle buying preferences, including the specific differences in vehicle consumption patterns between inner-city, outer suburban and regional areas, that can widely differ.

To this extent, VACC supports the Federal Chamber of Automotive Industries (FCAI) position regarding a vehicle fuel efficiency standard for Australia, which includes the following:

- That for passenger cars and light SUVs to have on average, CO2 emissions under 100g CO2 per kilometre by 2030
- That heavy SUVs and light commercial vehicles have on average under 145g CO2 per kilometre by 2030

To this extent, the passenger car and light SUV emissions outcome for 2021 was an average of 146.5 grams of CO2 for every kilometre travelled, and the heavy SUV and light commercial vehicle outcome was 212.5 grams of CO2 for every kilometre travelled. These standards are compatible with ANCAP local safety standards, and VACC is of the view that Government must not calculate an emissions target that compromises vehicle and occupant safety.

Recommendation 15:

VACC supports the Federal Chamber of Automotive Industries (FCAI) position regarding a vehicle fuel efficiency standard for Australia, which includes: -that for passenger cars and light SUVs to have on average, CO2 emissions under 100g CO2 per kilometre by 2030; and that heavy SUV's and light commercial vehicles have on average under 145g CO2 per kilometre by 2030.

Q11. What policies and/or industry actions could complement vehicle fuel efficiency standards to help increase supply of EVs to Australia and electrify the Australian fleet?

In addition to the policy measures outlined in the response to Q4 and Recommendations 5-10, legislative reform relating to the conversion of existing ICE vehicles to electric propulsion, may help increase the electrification of the Australian vehicle fleet.

Many Australians are emotionally attached to their ICE vehicles, and in the case of those driving utilities and 4WD drive vehicles, there are few if any electric replacement options available in the Australian vehicle market. For these drivers, converting their respective ICE vehicles to electric may be a viable option if it was supported by appropriate policy measures. These measures should include:

- An updating of the standards and national code of practice relating to the modification of light vehicles for the installation of electric drives. The current standard – Vehicle Standards

Bulletin 14 (VSB 14) was implemented more than a decade ago (2011), and is in urgent need of being updated to ensure that EV guidelines are fit for purpose, in-line with current global standards and meet safety requirements

- The provision of subsidies or rebates for EV conversions of ICE vehicles. EV conversion costs can be extremely expensive, costing on average $50,000 or more depending on the vehicle. This cost can be a disincentive for many people considering converting their existing ICE vehicle to electric, and any financial measures that reduce the cost of undertaking an EV conversion may help increase the electrification of the Australian vehicle fleet.

Recommendation 16:

That Government update the national code of practice for the modification of light vehicles (Vehicle Standards Bulletin 14) for the installation of electric drives and consider measures to reduce the cost of undertaking EV conversions.

Q12. Do we need different measures to ensure all segments of the road transport sector are able to reduce emissions and, if so, what government and industry measures might well support the uptake of electric bikes, micro-mobility and motorbikes?

VACC is of the view that the uptake of all forms of zero and low-emission transport is best encouraged by suite of policy measures that target incentivisation, affordability, consumer education and marketing, and legislative reform.

To this extent, many of the measures discussed in the response to Q4, including recommendations 5-10, can equally apply to electric motorcycles, electric bikes (e-bikes) and micro-mobility transport. This includes the provision of price subsidies, rebates or tax credits that reduce the upfront cost of these respective transport options and stimulate their uptake, and well as the provision of fiscal incentives that promote the test driving of these products at a dealership/showroom level.

On the legislative front, current regulations for e-bikes and micro-mobility transport are highly restrictive. E-bikes imported into Australia must comply with the European Union standard *CE EN15194* that limits their speed to only 25 kilometres per hour under power[7]. This effectively reduces their suitability for longer commuting distances. American and Canadian e-bike regulations by contrast, allow a capped speed of 32 kilometres per hour[8], and the adoption of North American e-bike standards may help increase the uptake of electric bikes in Australia, given that they make longer commuting distances feasible.

[7] https://ampdbros.com.au/blogs/news/what-are-the-electric-bike-regulations-in-australia.

[8] https://easyebiking.com/electric-bike-speed-e-bike-rules-regulations-in-the-us/

Recommendation 17:

The uptake of all forms of zero and low-emission transport, including motorcycles, e-bikes and micro-mobility is best encouraged by a suite of policy measures that target incentivisation, affordability, consumer education and marketing, and legislative reform.

Q13. How could we best increase the number of affordable second hand EVs?

VACC contends that growth in the second-hand EV market, is best supported by government policies that stimulate growth in the new EV market in Australia. This enables the building up a critical mass of new EVs in Australia, leading to an expansion in the second-hand EV market, thus increasing the availability of more affordable second-hand EVs.

As raised throughout this submission, the best way to achieve this outcome is by stimulating demand in the private mass new vehicle market, which accounts for 60 per cent of new vehicle sales in Australia. To date, government policy has neglected this buyer cohort, for whom the government's EV fringe benefit tax exemption mainly does not apply, and whom the Government has relegated towards second-hand EV choices.

Government must consider a package of incentives for this large buyer cohort that significantly reduces the upfront purchase price of a new EV, that will consequently lead to a large increase in the demand and supply of new EVs into Australia, and by logical extension a large expansion in the second-hand EV market.

Recommendation 18:

That rapid growth in the second-hand EV market is best supported by government policies that stimulate growth in the new EV market in Australia, enabling the build up a critical mass of new EVs and consequently an expansion in the second-hand EV market.

Q14. Should the Government consider ways to increase the supply of second-hand EVs independently imported to the Australian market? Could the safety and consumer risks of this approach be mitigated?

VACC does not support policies aimed at flooding the Australian vehicle market with parallel or 'grey imports' of second-hand EVs. Such policies are fraught with risks and danger both for consumers and businesses. VACC condemns such measures in the strongest possible terms. The risks associated with such measures are considerable and include:

- That the responsibility for vehicle recalls affecting 'grey import' EVs does not lie with the original manufacturer. Buyers of these vehicles could therefore be exposed to significant financial costs and legal issues when seeking to resolve vehicle faults linked to manufacturer recalls. Furthermore, carmakers are not able to track these vehicles in the

case of a recall, as they are given a new Vehicle Identification Number (VIN) when they arrive in the country

- Buyers do not have any recourse under the Australian Consumer Law (ACL) for any issues or faults that arise with these vehicles. Potentially, these issues can be considerable as these vehicles were not originally designed for the Australian market and its harsh operating environment. Reforming the ACL to protect consumers that purchase second-hand grey import EVs is a costly and difficult exercise to undertake

- Sourcing replacement parts for these vehicles can be very problematic, even for dealers and repairers, and owners may face difficulties finding repairers willing to undertake the repair work or insurance companies that will provide repair coverage for the vehicles

- Access to service and repair information can also be problematic, particularly for cars originally destined for a non-English speaking market.

VACC advises the Government against implementing measures that will flood the Australian vehicle market with parallel or grey imports of second-hand EVs.

Recommendation 19:

That measures aimed at flooding the vehicle market with 'grey imports' of imported second-hand EVs not be encouraged due to the considerable safety, financial, and legal risks involved for consumers and businesses.

Q15. What actions can governments and industry take to strengthen our competitiveness and innovate across the full lifecycle of the EV value chain?

Whilst VACC appreciates that the Australian Government is working to develop Australia's critical minerals sector and build downstream mineral processing capabilities through its Critical Minerals Strategy and Australian Made Battery Plan, these initiatives only concentrate on a small portion of the overall EV value chain.

VACC believes that Government must consider each segment within the EV value chain and determine their potential contribution to industry-value added ($) to Australia's economy, and take actions to strengthen our competitiveness in the segments where the economic returns are highest. For example, one area with a high industry value-add to the economy is an End-of-Life EV disposal and battery recycling program. Government can help foster growth in this area through the provision of research and development grants and tax incentives that strengthen private investment in these programs, and facilitate greater innovation, competition, and export income for Australia.

Recommendation 20:

That Government aid research and development and private investment in End-of-Life EV disposal and battery recycling programs, through the provision of R&D grants, tax incentives and other

measures to strengthen the EV value chain.

Q16. How can we expand our existing domestic heavy vehicle manufacturing and assembly capability?

Domestically produced heavy vehicles account for approximately half of the heavy vehicle market in Australia. Whilst this is a healthy market share, if the premise of Q16 relates to expanding domestic manufacturing capability to hydrogen trucks or electric trucks, then the use of tax incentives, R&D grants, training incentives, and other measures can be used to assist local manufacturers to invest in design, engineering, capital equipment and skilled labour to build zero and low emission heavy vehicles.

Recommendation 21:

That the use of tax incentives, R&D grants, training incentives, and other measures can be used to assist local manufacturers to invest in design, engineering, capital equipment and skilled labour to build zero and low emission heavy vehicles.

Q17. Is it viable to extend Australian domestic manufacturing and assembly capability to other vehicle classes?

Whilst the thought of extending Australian manufacturing capability to other vehicle classes such as electric motorbikes, all-terrain vehicles, jet skis, e-bikes, etc may sound attractive, the practicalities and economic realities of engaging in such manufacturing activity may be less realistic.

The reality is that the Australian market for these vehicle classes is very small by international standards, and for such manufacturing activity to be profitable and sustainable, it would also need to be developed for global export markets. This would require significant investment in capital equipment and skilled labour to enable the building of a critical mass that will achieve economies of scale, that would make the unit costs of production competitive, and therefore be able to service both Australia and export markets.

A key difficulty in this scenario is that labour costs in Australia are very high compared to most other countries, which makes it difficult for Australian produced goods to compete with imported products on price without some form of government assistance. This was a key issue in the demise of local passenger car manufacturing in Australia. Whilst the use of 3d printing where possible and a much lower AUD exchange rate would assist Australian producers to be more cost competitive against imports, this may not be forthcoming or a feasible strategy for industry.

The use of R&D grants, tax incentives and other financial assistance must be considered to attract new start-ups towards such manufacturing. Alternatively, the Government may wish to partake as a stakeholder in such ventures in public/private partnership arrangements, where the risks and returns are spread over more than one entity and over an extended period of time.

Q18. Are there other proposals that could help drive demand for EVs and provide a revenue source to help fund road infrastructure?

Apart from addressing the EV affordability constraints for the mass private market as detailed earlier in this submission, consumer confidence in being able to readily access EV charging facilities away from home or work, is paramount to helping drive demand for EVs. Whilst the National Electric Vehicle Strategy and the Driving the Nation Fund make commitments towards the establishment of a national EV charging network, the level of ambition attached to both is insufficient in addressing consumer concerns.

The Government's commitment of having EV charging stations available at an average interval of 150km on major roads, does not correlate with best practice internationally. The evidence from the European Union indicates that a reliable ratio of public charging stations for EVs would include at least one charging station for every 10 EVs and charging banks of between six to eight chargers every 50 to 75kms along major roads and highways[9]. These estimates indicate that the Federal Government will need to work with state and territory governments and the private sector in a coordinated manner, to ensure that the recommended ratio of EV chargers to EVs is in line with EU best practice. This will give people greater confidence to purchase EVs, regardless of location or their destination. A portion of revenues derived from this charging network could also help fund road infrastructure.

However, the decline in future fuel excise from reduced consumption of petrol and diesel will mean that Australia will need a more sustainable way to pay for its road infrastructure and its maintenance. Whilst a system for setting nationally consistent road user charges to recover the costs of road use for heavy vehicles has been in operation since 1996, no similar system has been contemplated for light vehicles. A nationally consistent road user charge for all light vehicles can potentially fund the cost of road infrastructure in future, and whilst there are many obstacles to overcome with such an initiative, this should not preclude having a national conversation on the matter.

Recommendation 22:

That initial dialog around a nationally consistent road user charge for all light vehicles that can potentially fund the cost of road infrastructure in the future, be instigated by Government.

Q19. What more needs to be done nationally to ensure we deliver a nationally comprehensive framework for EVs?

As outlined in the response to Q1, the automotive industry is the most important stakeholder in the EV transition process and should be explicitly integrated within the EV framework. Government must engage with and focus on the automotive retail, service and repair sectors, who will have

[9] Zero and low emission vehicles: Insights from Europe, MTAA Electric Vehicle Delegation, September 2022.

primary carriage of the EV industry transition and its likely impact on business practices, skills and employment.

For an industry heavily steeped in traditional petrol and diesel technology, the move to zero and low-emission vehicles represents a major shift for Australia's automotive industry. A transition that many automotive businesses are ill-equipped to make. Battery electric vehicles require major capital investments by automotive businesses in new tooling, charging infrastructure and skills training. For many automotive businesses, these transitional costs will be prohibitive. It is therefore critical that the Government takes a leadership role to ensure industry transition to EVs is seamless and minimises business and employment losses within the community. The automotive retail industry is best placed to provide expert advice to government on EV transition policy, as opposed to power or energy suppliers who are significantly removed from the automotive frontline.

Therefore, discussions between Government and industry on these matters need to be undertaken as a matter of priority. Consideration is also required to exploit current infrastructure by supporting EV charging facilities in automotive business premises such as dealerships, independent repairers, and fuel service stations. Enhanced EV workforce skills development will be important in supporting a sustainable EV transition. Currently the automotive service and repair industry lacks the necessary skills needed to service and repair zero emission vehicles. Adding to the problem is the fact accredited EV training is not available in all jurisdictions, with the cost for businesses to upskill their existing technicians with EV training being exorbitantly high, not including travel and accommodation expenses and lost productivity.

Evidently, there are many moving parts that need to be considered within a nationally comprehensive EV framework, with the automotive industry being at the centre and frontline of the transition. VACC therefore recommends that the Federal Government instigate the following:

Recommendation 23:

That the Federal Government, collaborate with the retail automotive industry in regards to the EV industry transition process, including the regulatory and associated impacts on businesses.

Recommendation 24:

That the Federal Government boost the employer incentives and funding for EV apprenticeship training.

Q20. How can we best make sure all Australians get access to the opportunities and benefits from the transition?

As discussed throughout this submission, there needs to be comprehensive thinking around a package of measures that facilitate and support both industry and consumers to partake in the transition towards zero and low-emission vehicles over this decade and beyond. Affordability is a key issue pertaining to EVs, that will likely be a major barrier for most consumers until at least the end of this decade. This means that the Government's 2030 EV targets are unlikely to be achieved

unless further measures are undertaken to reduce the upfront cost of new EVs for the private market.

It is also important to acknowledge that as part of the transition, a mix of technologies will be in operation over the next 15 years or more. This will include electric, hybrid, plug-in-hybrid, hydrogen fuel cell, biofuels, as well as petrol and diesel vehicles. It is critical that Government must not undertake punitive measures and cause a social divide against consumers that continue to operate petrol and diesel vehicles over the remaining years, as this will not serve the interests of all Australians over the transition period.

The automotive industry is a key stakeholder and enabler in the EV transition process, however, the Government has not formally identified it within its EV framework, which is concerning. There is a considerable array of issues pertaining to the retail automotive industry, as discussed throughout this paper, which if not acknowledged and addressed, may jeopardise the meeting of the Government's EV goals. The importance of industry in this respect cannot be underestimated.

Finally, there are the EV charging infrastructure barriers that deny many Australian the opportunity to partake in the transition. As previously mentioned, consideration should be given to barriers for those without access to or who are denied off-street EV charging; barriers for regional/rural communities and the large physical distances between EV charging station on main roads and highways. These deny many Australians of the opportunities and benefits from the transition, which Government must also address accordingly.