



# VACC's response to Infrastructure Victoria's Draft 30-Year Infrastructure Strategy

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## About VACC

VACC is Victoria's peak automotive industry association, representing the interests of more than 5,000 members in over 20 retail automotive sectors, who 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 (e.g. specialist vehicle, parts or component modification and/or manufacture), and automotive dismantlers and recyclers.

## List of Recommendations

1. VACC offers its expertise and industry resources to Infrastructure Victoria to assist in the development of viable long-term strategic policy outcomes.
2. VACC recommends the development of a clear policy framework, which includes a roadmap for business regarding their regulatory responsibilities. This would assist industry to adequately prepare for the eventual transition to a low or zero emission future.
3. VACC asserts that for most consumers, it is the price competitiveness of an electric vehicle that is the most important factor in the uptake and overall sustainability of the EV market. Government policies aimed at providing price support and other financial incentives to encourage EV purchases by consumers are viewed to be unsustainable and can distort the EV market.
4. Any future infrastructure strategy that mandates the phasing out of ICEs should include a government fund to assist existing fuel retailers transition their business.
5. VACC recommends the development of a new Certificate 3 level apprenticeship training qualification. Existing technicians should be upskilled to a Certificate 4 level, specifically for zero emission vehicle technology (both light and heavy vehicles) with prerequisites of one of the following: AUR30620, AUR31120, AUR30320. This qualification should include appropriate theory and training in electrical and battery systems, diagnostics, programming, and other core requirements pertaining to the service repair and diagnostics of electric vehicles.
6. VACC urges Infrastructure Victoria to take a cautious approach when determining a sunseting timeline for the phasing out of ICEs and to work with other states and the Commonwealth to ensure a nationally consistent approach.
7. There is a need for an industry standard via Standards Australia, to ensure consistency of approach for the service of automated system vehicle repair.
8. VACC recommends that Infrastructure Victoria works with industry and other government agencies to develop an ELV program as a part of Victoria's Draft 30-Year Infrastructure Strategy.
9. VACC recommends that governments should be explicit regarding the terms of road user charging or other measures that will be utilised to fund the declining proportion of fuel excise revenue associated with the uptake of electric vehicles.
10. VACC requests further evidence to be convinced that the exemption from registration fees would not be passed on to industry under a new or rebranded tax or motor vehicle duty classification.

## 1. Introduction

The Victorian Automotive Chamber of Commerce (VACC) thanks Infrastructure Victoria for the opportunity to respond to *Victoria's Draft 30-Year Infrastructure Strategy*. VACC supports sensible infrastructure implementation and a policy framework that seeks to adopt beneficial outcomes for the community and industry. The following submission provides feedback on the draft Strategy from an automotive retail perspective.

To begin, VACC notes there is no reference to the current, global pandemic and the pressures this has put upon industry. It is our view that the current environment will severely impact the practical implementation of the recommendations put forward in the draft Strategy.

Further to this, VACC restates its position that the automotive industry requires useful and stable government support in light of the effects of COVID-19. It is very likely Victorian automotive retail businesses will permanently exit the industry if they cannot access suitable support packages afforded to other industries. Without the support of government, businesses confidence remains low and a real hesitance to invest in infrastructure, employment and community activities will ensue.

VACC makes the point that there is no other stakeholder group who will be impacted more than automotive retail with regard to zero emissions vehicle uptake, sales, repair, disposal, and maintenance policy. It cannot be overstated that the impending disruption to the current business landscape must be managed sensitively. VACC reviews the recommendations relevant to our sector under the basis of ensuring that any long-term strategy recommendations are adaptable and resilient, and be able to assist industry to adeptly change and recalibrate under different circumstances. Messaging regarding that business disruption must be carefully considered and be the result of collaboration and co-operation with VACC before public announcement or implementation.

In light of this, VACC is disappointed not to have been included as a stakeholder in the development of *Victoria's Draft 30-Year Infrastructure Strategy*. Nor was VACC approached to participate on the *Transport Advisory Panel* to inform the development of the draft transport recommendations for Infrastructure Victoria's 2016 and 2020 Infrastructure Strategies.<sup>1</sup> VACC understands there is a legislated obligation for Infrastructure Victoria to prepare an updated infrastructure strategy every three to five years under the *Infrastructure Victoria Act 2015*.<sup>2</sup> Given the depth of knowledge across our organisation and some 5000 strong membership, we hope that future strategies will more formally and meaningfully call on VACC's input.

### Recommendation 1

**VACC offers its expertise and industry resources to Infrastructure Victoria to assist in the development of viable long-term strategic policy outcomes.**

### Recommendation 2

**VACC recommends the development of a clear policy framework, which includes a roadmap for business regarding their regulatory responsibilities. This would assist industry to adequately prepare for the eventual transition to a low or zero emission future.**

<sup>1</sup> Infrastructure Victoria's (IV) Draft 30-Year Infrastructure Strategy (2020) 14 [9].

<sup>2</sup> Ibid [1].



## 2. Navigate the energy transition

### Response to Recommendation 1:

#### Accelerate the uptake of zero emissions vehicles.

##### 2.1 Confronting long term changes

VACC maintains that the uptake of electric vehicles (EV) or zero to low emissions vehicles (ZLEVs) can be of benefit to the national economy. New opportunities for business await business in form of the inspection, safety, maintenance, repair, disposal, and replacement of lithium-ion batteries. Further, due to EVs having fewer components than traditional internal combustion engines (ICEs), opportunities for the manufacture of EVs and ZLEVs in Australia should be investigated, along with policies aimed at stimulating such investment.

VACC supports the uptake of zero emissions vehicles in so far as the guiding principles of a free market are applied (i.e. allowing the market to determine the position of EVs and ZLEVs as a true value prospect). Clean energy vehicles must be attractive enough in performance and price to compete against ICEs without an ongoing subsidy. It is VACC's view that such subsidies are largely unsustainable and will distort the EV market<sup>3</sup>. There is substantial evidence from global markets which demonstrates the negative impact on the market once price supports and financial incentives are removed.<sup>4</sup> It is VACC's view that it will be the price competitiveness of an EV or ZLEVs that will sustain the market in the long term.<sup>5</sup>

##### 2.2 Consider other policy levers to phase out all internal combustion engine vehicles during the next 30 years

Locally, subsidies have not helped the automotive industry in pursuit of sustainable growth. In 2006, the Howard government introduced a \$2,000 rebate for customers to convert their petrol cars to LPG. Many consumers took advantage of the rebate and conversion from petrol to LPG systems were oversubscribed. Once the subsidy ended, the market collapsed, placing this sector of the industry in distress.<sup>6</sup> Evidence from Denmark is equally compelling.

The phasing out of tax breaks on EVs in Denmark resulted in the EV market plummeting by 60.5 per cent, despite a sales rise in all other major European markets. As an example, in 2015, Tesla sold 2,738 vehicles in Denmark. In 2016, they sold 176.<sup>7</sup>

Overall, the international experience suggests, that whilst financial incentives towards the purchase of EVs have helped motivate the EV market, fundamentally, it is the cost competitiveness of EVs versus conventional ICE vehicles that will ultimately convince consumers in the mass vehicle market – over the longer term. Based VACC's own modelling, this price competitiveness is expected to occur between 2025 and 2030.

### Recommendation 3

**VACC asserts that for most consumers, it is the price competitiveness of an electric vehicle that is the most important factor in the uptake and overall sustainability of the EV market. Government policies aimed at providing price support and other financial incentives to encourage EV purchases by consumers are viewed to be unsustainable and can distort the EV market.**

<sup>3</sup> Ibid 5 [4].

<sup>4</sup> VACC submission 'Select Committee on Electric Vehicle Inquiry into the use and manufacture of electric vehicles in Australia' (2018) 12 [8].

<sup>5</sup> Ibid.

<sup>6</sup> Justin Huntsdale, Petrol, diesel and hybrid options fuel demise of LPG as gas trend tanks (2017), retrieved from <https://www.abc.net.au/news/2017-06-13/lpg-bowsers-in-decline-at-petrol-stations/8612570>.

<sup>7</sup> Autovista Group, Denmark's EV sales collapse 60% on tax move (2017) retrieved from <https://autovistagroup.com/news-and-insights/denmarks-ev-sales-collapse-60-tax-move>.

### 2.3 The impact on industry of a government supported shift away from ICEs

Victoria's retail automotive sector is experiencing uncertain times, particularly with state government recommending an assisted strategy direction to phase out all ICEs over the next thirty years.

VACC remains of the view that consumers will ultimately determine the value prospect of purchasing an EV or ZLEV: one that is based on price, performance, and evidence-based reviews.

In its response to the 2018 Victorian Government's 'Select Committee on Electric Vehicle Inquiry into the use and manufacture of electric vehicles in Australia', VACC cautioned that the mandated and accelerated introduction of zero emissions vehicles to Victoria would likely result in a decline to the number of automotive retail businesses trading and negatively affect employment levels.<sup>8</sup> The automotive sectors most likely to be affected include: fuel retailing, automotive repair and maintenance, car wholesaling, motor vehicle used parts, wholesaling and dismantling, car retailing and motor vehicle parts retailing.

### 2.4 The future of fuel retailers

The fuel and convenience retail industry globally is facing serious disruptive threats. Some predict that the fuel retail network in some part of regional Australia will become unprofitable by 2035. Research by Accenture forecasts North American fuel demand shrieking by as much as 26 per cent (40 billion gallons) within the next 15 years.<sup>9</sup>

Changing consumer preferences and the adoption of EV or ZLEVs will necessitate fundamental changes to the standard fuel retailing business model. It is predicted that retailers will need to move away from the current, vehicle-centric model to one that focusses on consumer needs and choices. This will require a significant investment in infrastructure and the development of new technologies and digital capabilities.<sup>10</sup> VACC recommends that any future infrastructure strategy, especially one that mandates the phasing out of ICEs, should include the provision of government financial assistance to aid existing fuel retailers to transition their businesses.

#### Recommendation 4

**Any future infrastructure strategy that mandates the phasing out of ICEs should include a government fund to assist existing fuel retailers transition their business.**

### 2.5 Investment in new workforce skills training and qualifications for electric vehicle technician roles

An investment in new technical skills and training will be critical to the safe service and maintenance of EVs ZLEVs. The battery's high voltage<sup>11</sup> necessitates proper safety protocols be developed and implemented for the correct de-powering of EVs, along with other service aspects of these vehicles. VACC recommends the development of appropriate career pathways for apprentices, including relevant upskilling for the current workforce to adequately prepare workers to safely service EV and ZLEVs.

#### Recommendation 5

**VACC recommends the development of a new Certificate 3 level apprenticeship training qualification. Existing technicians should be upskilled to a Certificate 4 level, specifically for zero emission vehicle technology (both light and heavy vehicles) with prerequisites of one of the following: AUR30620, AUR31120, AUR30320. This qualification should include appropriate theory and training in electrical and battery systems, diagnostics, programming, and other core requirements pertaining to the service repair and diagnostics of electric vehicles.<sup>12</sup>**

8 Ibid 4 [4].

9 Pedro Caruso, A powerful shift for the fuel retail market (2020) retrieved from <https://www.accenture.com/au-en/insights/energy/future-of-fuel-retail>.

10 Marco Ruberis, Is There a Future for Service Stations? (2019) retrieved from <https://www.bcg.com/en-au/publications/2019/service-stations-future>.

11 Ibid (n 3) 4 [12].

12 Ibid 5.

## 2.6 What the research tells us about ZELV uptake

Information gathered from across industry reports, member interviews and economic modelling indicates it is not an if, but when, the automotive industry will be disrupted.

Specifically, the number of businesses trading, and levels of employment are predicted to be the most severely impacted.<sup>13</sup>

VACC's own modelling shows that a projected uptake of zero emissions vehicles by consumers ranging from one per cent in 2021 to 10 per cent by 2030 would result in an estimated aggregate reduction of 1,064 automotive retail business, and an estimated 3,222 job losses across retail automotive in Victoria.

If a high up-take scenario is applied, whereby zero-emission vehicle uptake is two per cent in 2021, rising to 20 per cent by 2030, the numbers rise to a projected loss of approximately 2,000 automotive businesses in Victoria alone by 2030 and almost 6,000 job losses.<sup>14</sup>

VACC notes the Victorian Government's potential to set an end date for the sale and registration of ICE vehicles independently.<sup>15</sup> A lack of cross-border legislative harmonisation already negatively effects the doing of business for VACC members. VACC argues that unilateral policy decisions on the phasing out of ICE vehicles would be problematic for Victorian automotive retailers. For example, Victorian dealers were significantly penalised when the Victorian Government announced, a year in advance of other states, that it would make stability control a compulsory standard feature on all new passenger cars and light commercial vehicles sold from January 2011. This created a considerable red-tape issue and placed Victorian car dealers, and their respective manufacturers, at a logistical disadvantage. VACC urges Infrastructure Victoria to ensure the harmonisation of regulations and legislation relating to EV and ZLEVs policy across all states and territories to limit red-tape and minimise anti-competitive behaviour.

### Recommendation 6

**VACC urges Infrastructure Victoria to take a cautious approach when determining a sunseting timeline for the phasing out of ICEs and to work with other states and the Commonwealth to ensure a nationally consistent approach.**

## 3. Embrace technological opportunities

### Response to Recommendation 17:

#### *Prepare for increasingly automated vehicle fleets.*

#### 3.1 Importance of a nationally consistent approach

VACC argues that the deployment of automated vehicles in Australia would be best served and facilitated by a nationally consistent, regulatory approach.

As previously stated, a nationally inconsistent regulatory approach will impose unnecessary costs and red-tape to automotive retail businesses. For example, should states and territories have different automotive driving system standards and compliance, this could act as a disincentive to manufacturers to sell their vehicles into the Australian market (a small market in global terms) Further, inconsistent regulation between states and territories will result in a lack of clarity regarding safety obligations on vehicle repairers. A nationally consistent regulatory approach would also ensure limited impact to the compliance obligations under the *Motor Car Traders Act*<sup>16</sup> for licensed motor car traders (LMCTs).

VACC further notes that repairers and vehicle inspectors will also require upskilling to safely repair, modify or update system software on an automated vehicle. There may also be a need for an industry-wide standard (via Standards Australia) to ensure national consistency.<sup>17</sup>

<sup>13</sup> Ibid (n 3).

<sup>14</sup> VACC Research 2018.

<sup>15</sup> IV (n 1) 40 [3].

<sup>16</sup> VACC Submission In-service safety for automated vehicles (2018) 3 [5].

<sup>17</sup> Ibid 5 [1].



## Recommendation 7

**There is a need for an industry standard via Standards Australia, to ensure consistency of approach for the service of automated system vehicle repair.**

### 4. Build a circular economy

#### Response to Recommendation 28:

***Facilitate improved recycling infrastructure for priority materials.***

#### Response to Recommendation 29:

***Strengthen end markets for recycled materials.***

#### 4.1 An End-of-Vehicle-Life program is critical

VACC research completed in 2017 shows that approximately 64,000 tonnes of automotive waste goes to landfill in Victoria each year.<sup>18</sup> Hence, VACC argues that any infrastructure plans must support the transition to a circular, zero-waste economy.

If the Victorian Government is serious in phasing out ICEs and increasing the uptake of EVs and ZLEVs over the next two years, then it seriously consider how the existing fleet will be dealt with. VACC recommends, and has long advocated for, the introduction an End-of-Life Vehicle (ELV) program in Victoria to assist with the environmentally responsible decommissioning of these vehicles. Such a program would include the added surety of having retired vehicles safely treated by a licensed, authorised treatment facility.

According to Australian Bureau of Statistic data, for the period 2016- 2017, a total of 784,065 vehicles were taken off the jurisdictional vehicle registers.<sup>19</sup> In tonnage terms, this volume of decommissioned or missing vehicles equates to a recycling/waste task in excess of one million tonnes every year.<sup>20</sup>

An environmental disaster is forthcoming if immediate action is not taken. Any future strategy that involves the removal and deregistration of vehicles from Victorian (and Australian) roads must include a comprehensive ELV Program.

## Recommendation 8

**VACC recommends that Infrastructure Victoria works with industry and other government agencies to develop an ELV program as a part of Victoria's Draft 30-Year Infrastructure Strategy.**

### 5. Steer changes in travel behavior

#### Response to Recommendation 48:

***Remove annual charges while introducing distance- based pricing for electric vehicles.***

#### Response to Recommendation 55:

***Phase out fixed road user charges and introduce user pays charging.***

#### 5.1 Introduce new taxes and charges on road users to balance the decline in fuel excise revenue.

The phasing out of ICEs and the emergence of EVs or ZLEVs as a real alternative is fast becoming a reality. Notionally, the positives of switching from an ICE to a ZLEV are often centred on the perceived cheaper running costs of ZLEVs and the environmental benefits of low or zero emissions. VACC is of the view that until such time that an EV or ZLEV can be powered entirely by renewable energy, this argument alone does not suffice.

As part of its 2020-21 Budget, the Victorian Government proposed the introduction of a new distance-based road-user charge for Victorian registered ZLEVs from 1 July 2021. These charges

18 VACC MBA University of Canberra Research 2017.

19 ABS 9309.0 Motor Vehicle Data 2017 Census.

20 Assuming an average vehicle weight of 1.34 tonnes per vehicle.

will apply to light vehicles not predominantly powered by a fuel source subject to Commonwealth Government fuel excise, such as petrol, diesel, or LPG.<sup>21</sup>

Removal of annual registration fees for EVs and ZLEVs, and replacing with a road-user charge would offset the loss of registration fees and provide an incentive to consumers to purchase. However, it would be unfortunate for a consumer, who purchased a ZLEV based on the promise of a vehicle registration fee exemption, to later be subjected to a reintroduced, rebadged, or retrospective registration fee. A registration fee exemption is more easily applied when sales are low, however, this may change once critical mass is being achieved.

It is VACC's concern that government may look to reintroduce vehicle registration once sales increase, causing significant red-tape barriers.

VACC suggests a more sensible approach would be the introduction of a registration scheme based on a sliding scale of vehicle type registered on a Victorian road. For example, a SUV would attract a higher registration fee than a motorcycle or small sedan. VACC would also support a short-term reduction on registration fees for vehicles based on meaningful metrics such as fuel consumption, carbon emissions and weight.

#### **Recommendation 9**

**VACC recommends that governments should be explicit regarding the terms of road user charging or other measures that will be utilised to fund the declining proportion of fuel excise revenue associated with the uptake of electric vehicles.**

#### **Recommendation 10**

**VACC requests further evidence to be convinced that the exemption from registration fees would not be passed on to industry under a new or rebranded tax or motor vehicle duty classification.**

## **6. Conclusion**

VACC argues that any policy decisions made by the Victorian Government regarding the uptake, sale, repair, maintenance and disposal of ZLEVs must factor in consumer choice and industry survival. This submission raises several practical recommendations, which VACC hopes will assist government in its planning.

VACC restates our willingness to work with government on the development of an industry roadmap and seeks surety and clarity for our members as we all prepare for the eventual industry transition.

<sup>21</sup> VicRoads, ZLEV Road-user charge (2021) retrieved from <https://www.vicroads.vic.gov.au/registration/registration-fees/zlev-road-user-charge>.



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