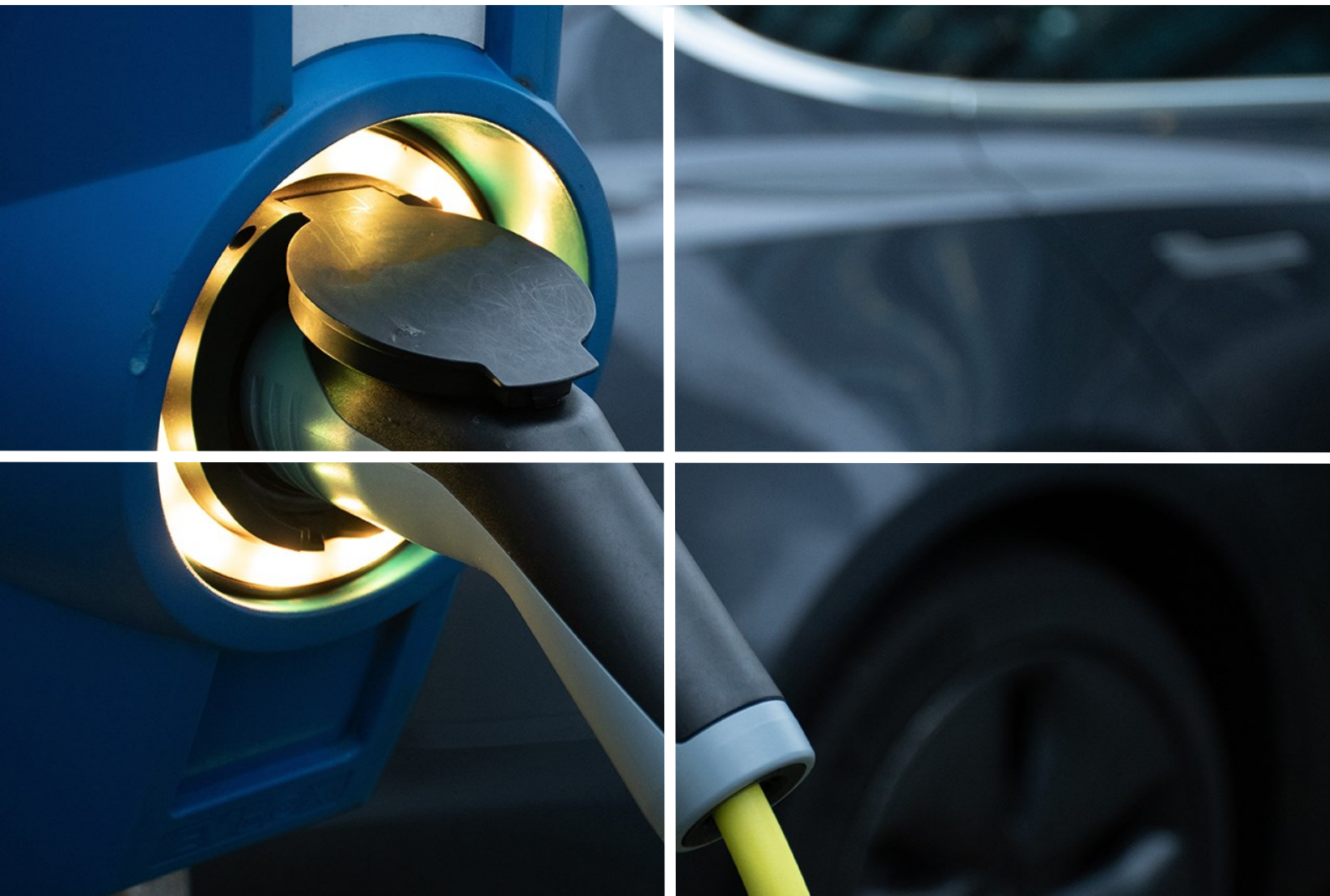


MTA Queensland Submission: National Electric Vehicle Strategy

Consultation paper

31 October 2022



About MTA Queensland

The Motor Trades Association of Queensland (MTA Queensland) is the State's peak automotive industry association, representing approximately 16,000 automotive businesses employing more than 90,000 people, that generate more than \$7.24 billion to the state economy annually. MTA Queensland has been performing its vital representative role for the automotive industry since 1929.

MTA Queensland members include 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.

MTA Queensland 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 MTA Queensland Recommendations:

Recommendation 1:

An objective to ensure engagement with and transitional support for the automotive industry be added to the Strategy.

Recommendation 2:

EV uptake being driven by consumer choice be added to the Strategy's objectives.

Recommendation 3:

The Government assesses 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 and cost-effective transition for industry and consumers.

Recommendation 4:

Reduce the upfront purchase cost of new EVs for the private vehicle market, through the provision of an (up to) \$10,000 EV price subsidy for each new EV sold up to a price ceiling of \$60,000 including electric motorcycles, electric bikes and micro-mobility transport.

Recommendation 5:

Vehicle stamp duty, GST and the Luxury Car Tax be removed.

Recommendation 6:

Incentivise the test driving of EVs by 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:

Increase investment 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:

Consider options to facilitate EV charging for apartment/flat dwellers and other households that lack access to off-street EV charging. This could include the provision of tax incentives, grants or rebates for the installation of EV charging infrastructure.

Recommendation 9:

Investigate the high cost of insurance premiums for EVs and issues impacting automotive businesses accessing insurance.

Recommendation 10:

Fuel efficiency standard for Australia 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:

Low emission vehicles 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 private and public infrastructure for zero emission vehicles is installed nationally; and until the supply of zero emission vehicles across different vehicle categories and price points into Australia has increased sufficiently.

Recommendation 12:

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

Recommendation 13:

The Government, working with the industry, develop and disseminate balanced information concerning the economic and environmental value proposition of EVs to consumers.

Recommendation 14:

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

Recommendation 15:

Introduce a vehicle fuel efficiency standard for Australia, which includes: MA vehicles (passenger cars and light SUVs) to have on average, CO₂ emissions under 100g CO₂ per kilometre by 2030; and MC+NA vehicles (heavy SUV's and light commercial vehicles) to have on average under 145g CO₂ per kilometre by 2030.

Recommendation 16:

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 be encouraged through appropriate incentives and emissions standards.

Recommendation 18:

Growth in the second-hand EV market be 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. At the same time consideration should be given to the capacity of the service and repair sector to provide ongoing EV maintenance and repair.

Recommendation 19:

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

Recommendation 20:

The 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.

Recommendation 21:

The use of tax incentives, R&D grants, training incentives, and other measures 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:

Dialogue 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 the Government.

Recommendation 23:

The Government collaborates with the retail automotive industry regarding the EV industry transition process, including the regulatory and associated impacts on businesses.

Recommendation 24:

Boost the employer incentives and funding for EV apprenticeship training and the upskilling of the existing workforce.

Background

MTA Queensland welcomes the opportunity to respond to the National Electric Vehicle Strategy Consultation Paper. MTA Queensland has a diverse and extensive membership base and is the largest independent training provider of automotive apprentices in Queensland through the MTA Institute (RTO 31529).

In September 2022, the Motor Trade Association of Australia (MTAA) sent a delegation of State Association CEOs from NSW, SA/NT, Qld, Vic and WA on a study tour to understand the changing landscape that zero and low-emission vehicles (ZLEVs) are likely to bring to the automotive industry in Australia.

The delegation visited automotive industry associations, individual repair shops, dealerships, manufacturers and policy makers across Norway, Sweden, the Netherlands, Germany, and the UK. The visit was a priority given the Australian Government's target that 89 per cent of new vehicles sold in Australia by 2030 will be electric.

This tour was also key research in preparing our response to the National Electric Vehicle Strategy Consultation Paper.

Decisions on Australia's transition will need to be predicated in the knowledge that those countries leading the uptake of EVs internationally, such as Norway, started their journey over 20 years ago. Australia is around 10 years behind, however with the right framework can rapidly catch up and become a leader in the Asia-Pacific region.

A faster trajectory for Australia will need to be based on a cogent policy framework incorporating:

- reducing emissions across the entire fleet
- CO2 emission standards to encourage cleaner, zero-emission vehicle choices
- comprehensive public and private charging infrastructure
- incentives to address affordability
- support for the motor industry to successfully transition
- improved fuel standards, and
- maximising the use of renewables in charging infrastructure.

A faster transition will need to be built on investment. Norway has been offering incentives since 1990 and is funding the transition through their sovereign wealth fund. This is further supported by Norway's green power generation advantage, that is almost all from wind and water turbines.

EV incentives for car buyers in Norway are slowly being removed, as they are in Sweden and Germany, and this could lead to more drivers hanging on to their old ICE car longer. Adversely, this could lead to global car fleets getting older and dirtier while resisting the temptation to buy a ZLEV.

Vehicle carbon taxes are being used in some countries to pressure people out of their ICE vehicles but there are tensions for people who can't afford a ZLEV and consequently have little choice than to just hang on to their older vehicles. As the overall target is a reduction in emissions to meet the Paris agreement, a strategy is required to ensure ageing vehicles are being maintained to minimise emissions.

Vehicle supply will be a key point in the speed of Australia's transition.

Currently, the ZLEV vehicles imported to Australia are low in number and mainly at a price range that is not accessible to many motorists. This is a major limitation that will need to be overcome.

Consequently, the strategy needs to find ways to attract lower cost ZLEVs. Put simply, if governments in other countries are incentivising ZLEV vehicles, or creating cheaper running cost regimes, then these markets will be more attractive to car buyers and auto manufacturers.

In the countries visited the state of the national power grid was central to support any vehicle transition plan. This didn't mean that countries had to wait to start a transition until the power grid and connection points for EVs were all in place but develop a coherent and funded plan to parallel ZLEV vehicle uptake with infrastructure developments. This was raised repeatedly as a key principle of any plan.

In terms of the public charging network, using existing automotive industry infrastructure was consistently raised. While it is paramount that service stations are included in the EV charging network, so too can other automotive locations such as dealerships and independent repairers.

As most people prefer to charge at home, governments will need to consider shared costs for infrastructure to support charging availability and grid load balancing, such as bi-directional vehicle charging. Bi-directional power is considered a game changer in transitioning drivers into ZLEVs given the capacity to charge cheaply, where this was offered, and then upload the same power into the home. Apartments have their own challenges when it comes to fitting EV charging infrastructure as body corporates have not generally supported installations. This will need to be addressed.

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?

While the objectives broadly align with the goals in the framework, MTA Queensland believes there is an opportunity to enhance the impact of the strategy. The objectives target quick progress in the importing and sale of EVs. To ensure maximum impact, the objectives need to be better aligned to Australia's zero emissions target. Establishing the objective of the EV strategy to reduce emissions across the entire vehicle fleet will ensure reductions are achieved more broadly than just through EVs.

There is also an imperative to help Australian businesses adapt to this revolution in technology. There are some key omissions within the framework that need to be addressed. These include:

- International experience indicates that the transition to EVs has a significant impact across the automotive sector, with as many of 20% of SMEs likely to close. The industry will play a pivotal role in profiling, selling and supporting EVs so it is critical that they be heavily engaged in understanding and supporting the Strategy. Engagement, buy-in, and support from the Government for the industry's transition and aligning the goals of the framework to business sustainability will help the rapid take up of EVs. MTA Queensland recommends an additional objective relating to Government engagement with and transitional support for the automotive industry to ensure the goals of the framework are delivered.

- A Strategy objective must be to ensure that EV uptake is driven by consumer choice. There should be no punitive measures taken against consumers that continue to operate internal combustion engine (ICE) vehicles.

MTA Queensland makes the following recommendations.

Recommendation 1:

An objective to ensure engagement with and transitional support for the automotive industry be added to the Strategy.

Recommendation 2:

EV uptake being driven by consumer choice should be added to the Strategy’s objectives.

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

The reality is that most developed countries including Norway, Sweden, Germany, Netherlands, UK and many others, are already well ahead of Australia in terms of EV uptake, and that Australia remains around a decade behind these nations. Consequently, it will take Australia a long time to be on a par with these countries.

The transition to EVs should not be viewed as a race against other countries, and Australia being ‘behind’ is not necessarily a bad thing as it provides an opportunity to assess best practice internationally and determine which policies work well, and not so well, in accelerating EV uptake. This may allow to Australia to follow a more efficient path in its EV journey. Indeed, while Australia may currently be behind some other nations in the uptake of EVs, the lessons learnt may enable a smoother and faster uptake. Australia’s experience and learnings should enable it to become a leader for others that have some similar market characteristics.

For those countries mentioned above that are a decade 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 and drawn out one – taking at least 20 years. In Norway, which has the highest uptake of electric vehicles in the world, where 78 per cent of all new vehicles sold in 2022 were electric, it is anticipated that it will still take more than another decade for the entire car fleet in Norway to be fully electric. The EV fleet penetration statistics for other countries are far lower. It needs to be remembered that private consumers typically hold onto their vehicles for many years.

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

- having a widely dispersed population and land mass
- preferences for larger utilities and SUVs and a strong recreational vehicle market
- the fact that Australia is a technology taker, being dependent on global vehicle manufacturers to supply product into Australia

- Australia being a small new vehicle market in global terms (around one million vehicles per annum) and being a right-hand drive market, is not at the forefront of manufacturer supply decisions
- lacking appropriate infrastructure and incentives to stimulate large increases in the demand and supply of EVs compared to other countries
- not having a local car manufacturing presence

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

Recommendation 3:

The Government assesses 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 and cost-effective transition for industry and consumers.

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

There are a variety of indicators the Government can use to measure progress against its goals and objectives. Many of these are widely 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). This should include emissions from ICE vehicles that should trend down especially if minimum fleet emissions standards are introduced.

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

To better understand consumer choices and decisions, there may also be benefit in consumer surveys that track their decisions to purchase an EV, or otherwise, in order to identify where policy or programs need adjustment.

There are also many other measures that can be used, including the modelling of specific data as required. 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 unique circumstances in the quest to increase the affordability and accessibility of EVs for consumers. Australia is a small market by international standards, that also happens to be right-hand drive. This means Australia's vehicle imports are largely driven by priorities in other larger markets. We also currently lack 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. We also lack a local car manufacturing presence.

The policy settings from federal and state and territory governments, to date, have not been conducive to stimulating significant increases in consumer demand and manufacturer supply of EVs. The Strategy needs to have national leadership, coherence and consistency to give confidence to manufacturers to engage positively in the supply of EVs to Australia.

International experience shows that countries with much higher EV uptakes than Australia have invested over the long-term in EV infrastructure, as well as making available generous EV subsidies, rebates, tax credits and other incentives to facilitate a change in their vehicle markets towards EVs. It is clear that, at least until a critical mass is achieved, that strong, consistent and well targeted incentives will be required. 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 targets.

Due to significant price increases in the cost of lithium and other raw materials involved in EV battery production, price parity between EVs and ICE vehicles is likely to be delayed. A significant price difference will be a real barrier to the uptake of EVs, particularly the private market that accounts for around 60 per cent of annual new vehicle sales in Australia^[1]. Recent modelling shows that if the Government were to offer a \$10,000 EV price subsidy for each new EV sold up to a 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. This would see an approximately 32% EV share of the new vehicle market. While the cost of this initiative would be over \$3 billion, it would bring the Government much closer to its goals and objectives.

Recommendation 4:

Reduce the upfront purchase cost of new EVs for the private vehicle market through the provision of an (up to) \$10,000 EV price subsidy for each new EV sold up to a price ceiling of \$60,000 including electric motorcycles, electric bikes and micro-mobility transport.

Recommendation 5:

Vehicle stamp duty, GST and the Luxury Car Tax be removed.

Dealerships are usually the first point of contact 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 the 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 in and demand for EVs amongst vehicle buyers than is currently the case.

Recommendation 6:

Incentivise the test driving of EVs by dealerships and service departments, through the provision of a tax credit or other fiscal incentives for dealerships to deliver EV test drives to customers.

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

^[1] Source: VFACTS data 2021, Federal Chamber of Automotive Industries.

rural and regional areas. International best practice indicates 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 - not every 150 kilometres as is proposed for Australia.

Recommendation 7:

Increase investment 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.

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. This was a major barrier to the uptake of EVs in European countries recently visited and a focus of government policy consideration. The Government should consider options it can provide including the provision of tax incentives, grants or rebates for the installation of EV charging infrastructure.

Recommendation 8:

Consider options to facilitate EV charging for apartment/flat dwellers and other households that lack access to off-street EV charging. This could include the provision of tax incentives, grants or rebates for the installation of EV charging infrastructure.

The cost of obtaining insurance for electric vehicles has also emerged as a key barrier impacting on 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 over 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. At the same time, advice from industry in Europe indicates repairers can face significant challenges in obtaining insurance due to concerns about the safe storage of batteries.

Recommendation 9:

Investigate the high cost of insurance premiums for EVs and issues impacting automotive businesses accessing insurance.

While MTA Queensland supports a fuel efficiency standard, it needs to 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. The development of any fuel efficiency standard for Australia must, of course, take account and be reflective of Australian vehicle preferences and choices.

Recommendation 10:

Fuel efficiency standard for Australia 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 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 towards the end of the decade
- Until there has been sufficient infrastructure for zero emission vehicles installed nationally, both public charging infrastructure and within accommodation types.
- Until the supply and variety of zero emission vehicles on offer across different vehicle categories and price points into Australia has increased considerably and caters for Australia's driving and vehicle preferences.

Recommendation 11:

Low emission vehicles 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 private and public infrastructure for zero emission vehicles is 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 educating Australians about EVs. The automotive industry, and vehicle dealerships especially, are at the frontline of most people's first interactions with an EV, and hence the quality of the introduction to EVs, the test drive, and the information and education, are all central to consumer confidence and decision-making. It is critical the 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 a role to train and educate their staff on the benefits of EVs and be able to present these to customers in a positive manner.

The Government can also support 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, through mobile phone apps and other platforms that show the location of the nearest EV charging stations. This will help reduce anxiety for many people that are concerned about where to find the nearest charging station away from home. This should also include a notification as to whether specific chargers are currently out of action, so that drivers can plan accordingly and avoid arriving at a charging station only to find that it may not be working.
- The Government can also help further educate consumers about electric vehicles 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, and the more credible information disseminated on their merits, including the environmental benefits, the more informed consumers will be and the better the chances of them switching to an EV. At the same time, the information needs to be balanced, recognising that EVs may not be appropriate for all circumstances and all customer needs.
- Vehicle manufactures can also play a significant 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 front by industry and governments can help allay many consumer doubts and positively influence the uptake of EVs.

Recommendation 12:

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

Recommendation 13:

The Government, working with the industry, develop and disseminate balanced 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 widespread mechanism used globally to ensure new cars are more efficient and less polluting over time. Whilst Australia is one of the few vehicle markets in the world that does not have mandatory fuel efficiency standards, many vehicles currently supplied to Australia already meet a strict fuel efficiency standard.

Effectively, 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. As noted above, typically fuel efficiency standards are used in conjunction with other incentives and to ensure zero and low-emission vehicles are a more attractive and affordable proposition for consumers. This includes cleaner fuels and options like biofuels. It is only when they are combined as part of an integrated package of policy measures that fuel efficiency standards are 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?

See above 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, like that of light vehicles. However, at this point in time, battery electric vehicle technology is less advanced for heavy vehicle applications and hydrogen fuel cell technology is still in its relative infancy. Until these technologies are effectively commercialised across all heavy vehicle classes, the imposition of fuel efficiency standards should be approached more cautiously. Once again, given the small scale of the Australian market, any standards would need to be developed in consideration of the global fleet standards.

Recommendation 14:

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

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?

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

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

- MA vehicles (passenger cars and light SUVs) to have, on average, CO2 emissions under 100g CO2 per kilometre by 2030
- MC+NA vehicles (heavy SUV's and light commercial vehicles) to have, on average, under 145g CO2 per kilometre by 2030

The MA outcome for 2021 was an average of 146.5 grams of CO2 for every kilometre travelled, and the MC+NA outcome was 212.5 grams of CO2 for every kilometre travelled. These standards are compatible with ANCAP local safety standards, and the Government must not calculate an emissions target that compromises vehicle and occupant safety.

Recommendation 15:

Introduce a vehicle fuel efficiency standard for Australia, which includes: MA vehicles (passenger cars and light SUVs) to have on average, CO2 emissions under 100g CO2 per kilometre by 2030; and MC+NA vehicles (heavy SUV's and light commercial vehicles) to 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?

While the mainstream market for electric vehicles relies on global manufacturers, there is a small, vibrant and growing market for specialised EVs in Australia. These markets are often associated with uses where EVs are particularly suited, such as mining. Support for these specialist applications of EVs could accelerate their uptake and send a 'signal' to the broader consumer market about the benefits and versatility of EVs. There are several measures that could be considered, including:

- 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 need of updating to ensure that EV guidelines are fit for purpose and in line with current global standards and meet safety requirements.
- The provision of subsidies or rebates for EV conversions of ICE vehicles.

Recommendation 16:

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?

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.

Many of the measures discussed in the response to Q4 and recommendations 5-10 apply to electric motorcycles, electric bikes and micro-mobility transport. This includes the provision of subsidies, rebates or tax credits that reduce their upfront cost and stimulate their uptake.

Current regulations for e-bikes and micro-mobility transport are highly restrictive. E-bikes imported into Australia must comply with a European standard that limits their speed to only 25 kilometres per hour under power. This reduces their suitability for longer commuting distances. American and Canadian e-bike regulations, by contrast, allow a capped speed of 32 kilometres per hour and their adoption may help increase the uptake of electric bikes in Australia.

Recommendation 17:

The uptake of all forms of zero and low-emission transport, including motorcycles, e-bikes and micro-mobility be encouraged through appropriate incentives and emission standards.

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

Growth in the second-hand EV market is best supported by government policies that stimulate growth in the new EV market in Australia. This will enable the building of a critical mass of new EVs, leading to an expansion in the second-hand EV market.

As discussed throughout this submission, the best way to achieve this outcome is by stimulating demand in the private new vehicle market, which accounts for 60 per cent of new vehicle sales in Australia. To date, government support has been fragmented and limited.

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

At the same time consideration needs to be given to the capacity of the automotive service and repair sector to support consumers who purchase second-hand EVs and/or operate EVs outside warranty and dealer service periods.

Consumer confidence in the second-hand EV market will be enhanced by particular attention to battery life warranties or service offerings. Consumer confidence will also be enhanced by the ready availability of repairers that have the skills and technology to service EVs.

Recommendation 18:

Growth in the second-hand EV market be 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. At the same time consideration should be given to the capacity of the service and repair sector to provide ongoing EV maintenance and repair.

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?

MTA Queensland 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 alike. The risks associated with such measures are considerable and include:

- 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.
- Buyers have limited 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.
- 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 'cover' the vehicles.
- Access to service and repair information can also be problematic, particularly for cars originally from a non-English speaking market.

For these reasons MTA Queensland recommends against implementing measures that will flood vehicle market with more parallel or grey imports of second-hand EVs.

Recommendation 19:

Measures aimed at flooding the vehicle market with 'grey imports' of second-hand EVs not be supported 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?

While 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, there are other opportunities.

One area with a high industry value-add is an end-of-life EV disposal and battery recycling program. Battery and vehicle recycling were strong features of several European countries recently visited. 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:

The 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.

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. While this is 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. The issues and response to Q11 are also relevant.

Recommendation 21:

The use of tax incentives, R&D grants, training incentives, and other measures 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?

The practicalities and economic realities of extending Australian manufacturing capability to other vehicle classes such as electric motorbikes, all-terrain vehicles, jet skis, e-bikes are not compelling.

The Australian market for these vehicle classes is small by international standards, and for such manufacturing activity to be profitable and sustainable it would also need to be developed for export

markets. This would require significant investment in capital equipment and skilled labour to enable the building of a critical mass that will achieve necessary economies of scale.

If the Government wished to encouraging domestic manufacturing of other vehicle classes, the use of R&D grants, tax incentives and other financial assistance will need to be considered. There is an opportunity, as discussed at Q11, to support niche or specialised EV manufacturing (and export) that responds to industry needs.

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 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. While 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 to 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^[2]. These estimates indicate the Government will need to work with states and territories and the private sector to ensure the recommended ratio of EV chargers to EVs is in line with EU best practice.

The decline in future fuel excise from reduced consumption of petrol and diesel means Australia will need to find a more sustainable way to pay for roads. While a system for setting nationally consistent charges to recover the costs of road use for heavy vehicles has been in operation since 1996, no similar system has been introduced for light vehicles. A nationally consistent road user charge for all light vehicles could potentially fund the cost of road infrastructure in future. While there are many obstacles to overcome with such an initiative, this should not preclude having a national conversation on the matter sooner rather than later.

Recommendation 22:

That dialogue 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 the Government.

^[2] Source: Zero and low-emission vehicles: Insights from Europe, MTA Electric Vehicle Delegation, September 2022.

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 an important stakeholder in the EV transition process and should be explicitly included in the EV framework. The Government must engage with and focus on the automotive retail, service and repair sectors, which will have primary carriage of the EV industry transition 'on the ground' and its impact on businesses, 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 critical that the Government takes a leadership role to ensure industry transition to EVs is seamless and minimises business and employment losses. The automotive 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.

Discussions between government and industry need to be undertaken as a matter of priority.

Consideration of how best to exploit current infrastructure by supporting EV charging facilities in dealerships, independent repairers, and fuel service stations is required.

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. Accredited EV training is only available in South Australia, Queensland, and Western Australia, with the cost for businesses to upskill their existing technicians with EV training being high.

Recommendation 23:

The Government collaborates with the retail automotive industry regarding the EV industry transition process, including the regulatory and associated impacts on businesses.

Recommendation 24:

Boost the employer incentives and funding for EV apprenticeship training and the upskilling of the existing workforce.

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 consideration around a package of measures that facilitate and support both industry and consumer transition towards zero and low-emission vehicles over this decade and beyond. Affordability is a key issue that will be a

major barrier for most consumers until at least the end of this decade. This means 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, 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 punitive measures against those consumers that continue to drive ICE vehicles are not adopted. This will only cause community disharmony and EV pushback, a feature noted in some European countries recently visited.

The automotive industry is a key stakeholder and enabler in the EV transition, however, it has not been identified within the framework, which is concerning. There is a range of issues affecting the retail automotive industry, as discussed throughout this paper, which if not acknowledged and addressed may jeopardise the Strategy's implementation.