



To the NSW Federal Financial Relations Review Panel,

I am writing in response to the Draft Report's recommendation 13 regarding a road user charging (RUC) scheme for electric vehicles (EVs).

While the COVID-19 pandemic has presented enormous challenges, it has also provided an opportunity for governments to reset and think about how we want to build back better.

Supporting greener and cleaner transport is one way that governments can achieve this and EVs provide an opportunity to reduce the carbon impact of transport, as well as supporting our economy through new jobs and technological innovation. However, EV adoption in Australia is in its infancy and now is not the time to introduce new charges on a burgeoning sector.

EVs provide significant policy benefits and governments around the world are providing strong incentives to encourage uptake

The fast adoption of electric vehicles would provide enormous public policy benefits to the people of NSW and Australia. Today they are already a cleaner form of transport than internal combustion engines, and, as our energy mix continues to evolve, provide the only pathway to a zero-emission transport future. They reduce our reliance on imported oil and will improve urban amenity as they are quieter and do not pollute local communities.

This is why governments around the world are providing strong incentives, including financial rebates of 10,000 - \$15,000, annual tax exemptions, non-financial benefits, and setting bold targets such as London's 100% EV by 2030¹.

This encourages consumer adoption and business investment in these markets. These jurisdictions, unsurprisingly, see a higher percentage of new sales go to electric vehicles, averaging between 3-5% across major markets in 2019².

Unfortunately, in Australia, the lack of policy certainty has restricted similar investments being made here; one of the reasons we do not see the diversity of electric vehicles available including the more affordable models. As a result, EVs made up only 0.6% of new car sales in Australia in 2019, well below other OECD countries.

Implementing a road user charge for EVs at this time would reduce consumer demand and discourage businesses from investing in NSW.

The low uptake and lack of investor confidence in Australia is why the EVC is particularly concerned with this draft recommendation to buck the global trend of incentivising EVs and instead implement a road user charge at this critical early stage of adoption. Despite the startling claims made by other groups, we want to be clear that basic economics tells us that imposing a new tax on EVs would discourage take up. While our research shows the importance of upfront costs, that does not mean that operating costs do not matter at all and that people won't factor in the total cost of ownership to their purchasing decision. In fact, today the barrier of high upfront costs is somewhat, but not fully, offset by the lower operating costs. Taxing ongoing costs removes the

¹ <https://www.london.gov.uk/press-releases/mayoral/mayor-sets-out-londons-electric-vehicle-future>

² Global EV Outlook 2020, IEA

only natural financial benefit to electric vehicles, particularly as governments here have refused to provide upfront incentives.

The charge would be particularly salient as users would have to physically submit annual odometer readings or install a device at the time of purchase.

Importantly, it sends an unequivocal signal to business that at its heart NSW does not support investment in technology and innovation. This will lead to less choice for consumers, as companies send their EVs to supportive jurisdictions. It will also cost our economy in terms of new jobs and investment.

This initiative would have unintended consequences for the NSW Government's commitments in Net Zero Plan and Future Transport 2056.

We are also very concerned that this policy would jeopardise the NSW Government's commitment to zero emissions by 2050³. Working back from 2050, given the 10-15-year life span of a car you would need the last ICE sold in NSW to be in 2035. That means the NSW government has only 15 years to get EVs from 0.6% of new cars sold to 100%. A significant challenge already considering that under business-as-usual NSW is only projected to reach 21% of sales by 2030⁴, which would be hindered by implementing an additional tax on EVs at this time.

We also note the Future Transport 2056 strategy agreed that the future of transport is 'shared, electric and automated'. Electrification is also a crucial stepping stone to future technology such as automated vehicles⁵.

This submission will outline some of issues with the draft report's analysis which has led to incorrect assertions and recommendation 13.

The Draft Report fails to recognise several important aspects of the market transition to electric vehicles and makes errors in its assessment leading to this recommendation. There are incorrect assertions of electric vehicles receiving a 'free ride' and a failure to recognise pricing implications.

Our research finds that electric vehicles today pay more in tax than comparable internal combustion engine vehicles throughout their lifetime, while additionally providing economic benefits and avoid social costs ultimately borne by taxpayers.

EVC also encourages this review to examine the Grattan Institute's analysis around 'the furphy' of the fuel excise argument⁶. Naturally in the long-term fuel excise will slowly decline and the EVC agrees a distance-based charge for all vehicles is a sensible solution, but not in the short to medium term if it is only targeted at EVs. Indeed, the only reason to do it now is political expediency as EVs make up a small percentage of the market. But the EVC questions the appropriateness of such a justification, also noting it disregards the long-term public policy benefits which would be delayed and reduced as a result.

The EVC also notes that it was particularly disappointing that the Draft Report misleadingly referenced our research to justify this recommendation. The conclusion reached from our research is incorrect and was included without consultation.

³ NSW Climate Change Policy Framework, NSW Government

⁴ Australian Electric Vehicle Market Study, Energeia

⁵ Future Transport Strategy 2056, NSW Government

⁶ Why it's time for congestion charging, Grattan Institute

Government should not implement a RUC for EVs at this crucial early stage of adoption

While the EVC supports efforts to fund transport, adding a new tax on the use of EVs would have a highly negative impact at this early stage of market transition.

Timing is critical. Overseas, governments have taken significant steps to support the uptake of EVs and are, in some cases, now considering future options for road user charges. Australia cannot skip the support and move straight to increased taxes.

The EVC does not support this recommendation and would encourage this Review to consider whether it should be included in the Final Report. If the Review does wish to persist the EVC recommends that any new charges are accompanied by commensurate incentives to encourage EV uptake and EVs should only be charged 0 cents per km until they reach 50% of market share.

Thank you for your consideration of this submission. We look forward to working with this Review and the NSW Government to ensure we do not stifle this industry which is so important to our economy, environment and future.

Yours sincerely,

Behyad Jafari
Chief Executive Officer

In our review of the Draft Report, we have identified multiple mistakes and misleading assumptions made to justify the recommendation for an electric vehicle (EV) road user charge (RUC).

It is clear from a reading of the Draft Report that this recommendation has been made without a proper understanding of electric vehicle market or policy dynamics. We will seek to shed light on these issues throughout this submission.

The EVC recommends that:

1. Recommendation 13 is removed from the final report in light of the negative policy implications it would have for EV uptake and business investment in NSW.

Or alternatively, that:

2. Recommendation 13 is linked to required upfront price incentives and other policy support (currently described as, States may choose to consider)
3. The RUC be extended to all vehicles, with EVs paying 0 cents until they reach an appropriate market share
4. Any future EV RUC to be priced at a lower rate than petrol / diesel vehicles in recognition of their benefits

1. A road user charge applied exclusively to EVs is not an ‘equivalent’ to fuel excise.

Implementing a road user charge exclusively on electric vehicles can only lead to an unfair situation where EV drivers pay more in operating taxes than the fuel excise contribution of internal combustion engine vehicles.

Fuel excise allows for consumers to consider more efficient options to reduce their cost and tax burden. The Draft Report appropriately acknowledges that ‘Governments may want to recognise the higher upfront cost and associated environmental benefits of electrical vehicles to ensure the charge is less or at least no higher than the fuel excise for regular petrol or diesel vehicles.’

The table below demonstrates that fuel efficient petrol vehicles contribute as little as 1.4c / km in fuel excise. Plug-in Hybrid’s contribute ~0.8c / km.

In their submission, Infrastructure Partnerships Australia recommended treating all electric vehicles as 1L/100km vehicles⁷. This would result in a fuel excise equivalent of 0.42c / km or an annual fee (based on average NSW driving distances) of ~\$50.

Alternatively, it has been proposed that the charge is calculated as an average of historic fees paid, priced between 4 – 6c / km. This would result in charging electric vehicle drivers more than the average new car sold in Australia in 2019, which at 7.19L/100km⁸ pays 3c / km.

Should a more efficient internal combustion engine be released at or less than 1L/100km, this would need to be revised downward to ensure ongoing fairness.

Vehicle	L/100km	Fuel excise equivalent (c/km)	Annual @ 12,000km (\$)
Average new car	7.19	3	362.37
Toyota Prius	3.4	1.4	172.58
BMW 530e	1.9	0.8	95.76
1L/100km	1	0.42	50.40

⁷ Road User Charging for Electric Vehicles, Infrastructure Partnerships Australia

⁸ Carbon Dioxide Emissions Intensity for New Australian Light Vehicles 2019

2. The ‘unfairness’ argument doesn’t stack up as EVs pay more in tax in their lifetime than a petrol/diesel vehicle

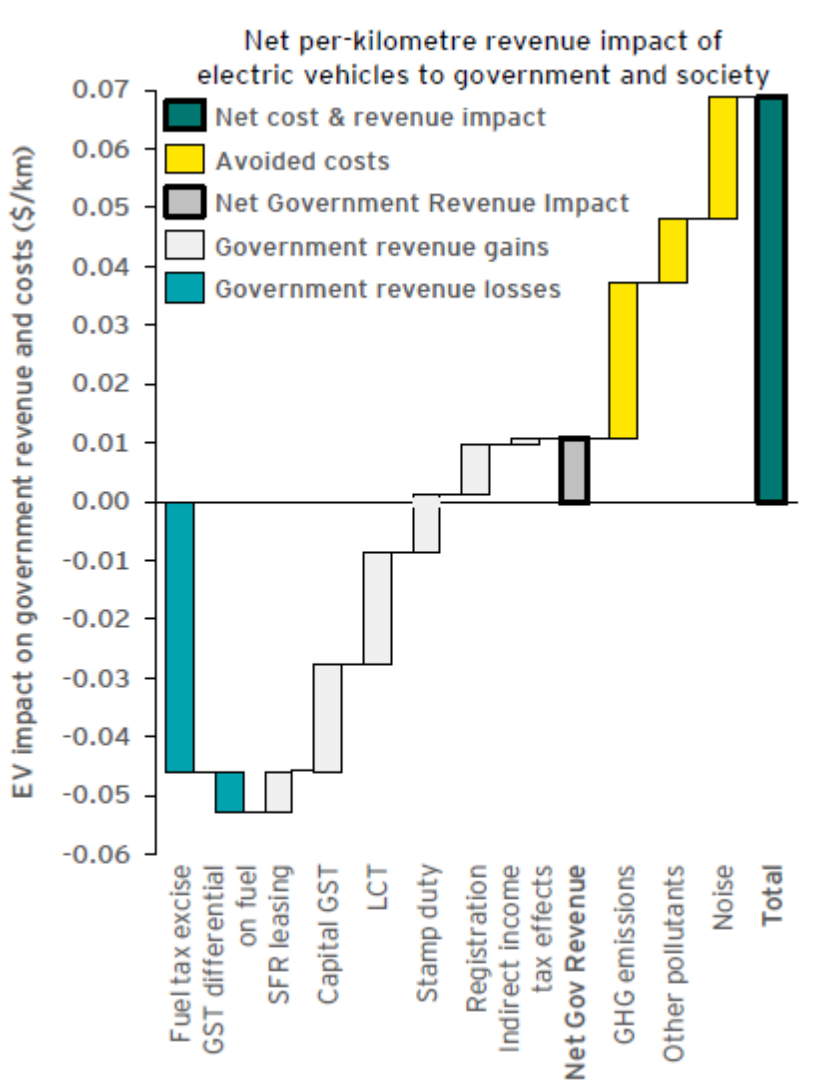
There are further mistakes in the assumptions made in the Draft Report, which have been used to justify the need for an EV RUC.

The Draft Report appropriately acknowledges that fuel excise is not directly linked to road funding. However, it goes on to repeatedly argue an unfairness that the drivers of petrol and diesel fuelled vehicles bear the burden of ‘funding roads’ while electric vehicle drivers do not.

Research from EY shows that EV drivers pay more in tax throughout their lifetime, than a petrol/diesel vehicle, including its contribution to fuel excise.

This research has found that:

*The overall impact on government is an **increase** in net revenue of \$0.011/km, and the overall externality impact to government and society is a benefit of \$0.058/km, contributing to an overall net benefit of \$0.069/km (\$8,763/vehicle/year) for each km travelled by EV versus an ICEV.⁹*



⁹ EV True Cost Analysis, EY, unpublished

3. Australia is behind other nations on EV incentives, and this impacts uptake

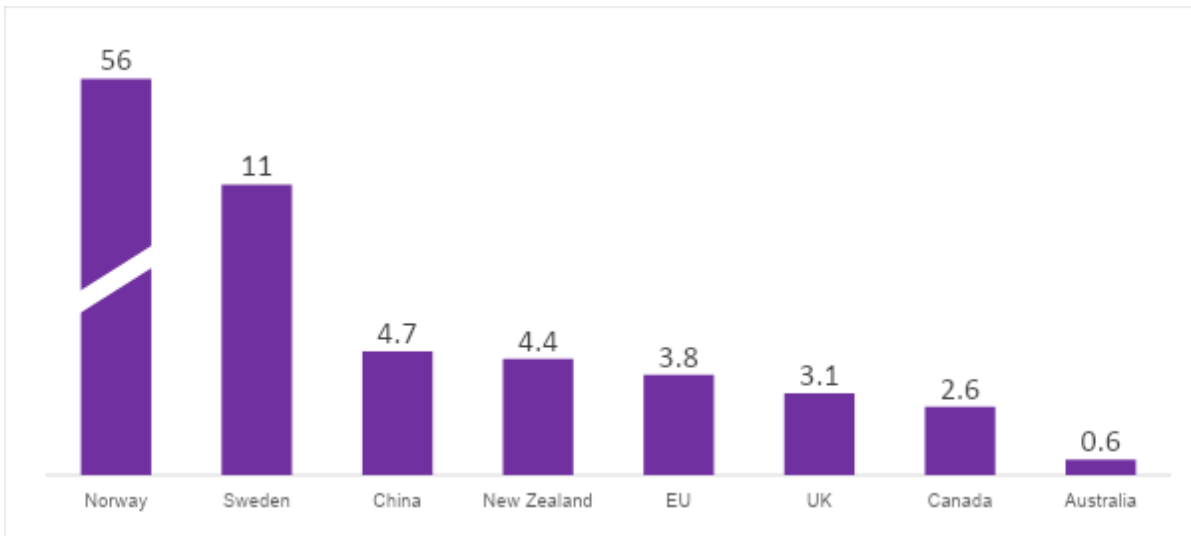
The Draft Report recommendation a tax on electric vehicles, due to the expected increase in sales and falling prices. This approach ignores Australia's position as a global laggard in electric vehicle uptake and model availability.

The EV market has been supported globally through a range of measures, including tightening fuel efficiency standards, consumer purchase incentives, funding for charging infrastructure and a range of tax exemptions and non-financial incentives. Globally these incentives arrive at ~\$10,000AUD, supplemented by sub-national incentives and tax exemptions.

Market	Incentive (local currency)	~\$AUD
Canada	\$5,000	\$5,000
France	€7,000	\$11,000
Germany	€6,000	\$10,000
Italy	€6,000	\$10,000
Japan	¥400,000	\$5,000
UK	£6,000	\$10,000
USA	\$7,500 USD	\$11,000
Australia	-	-

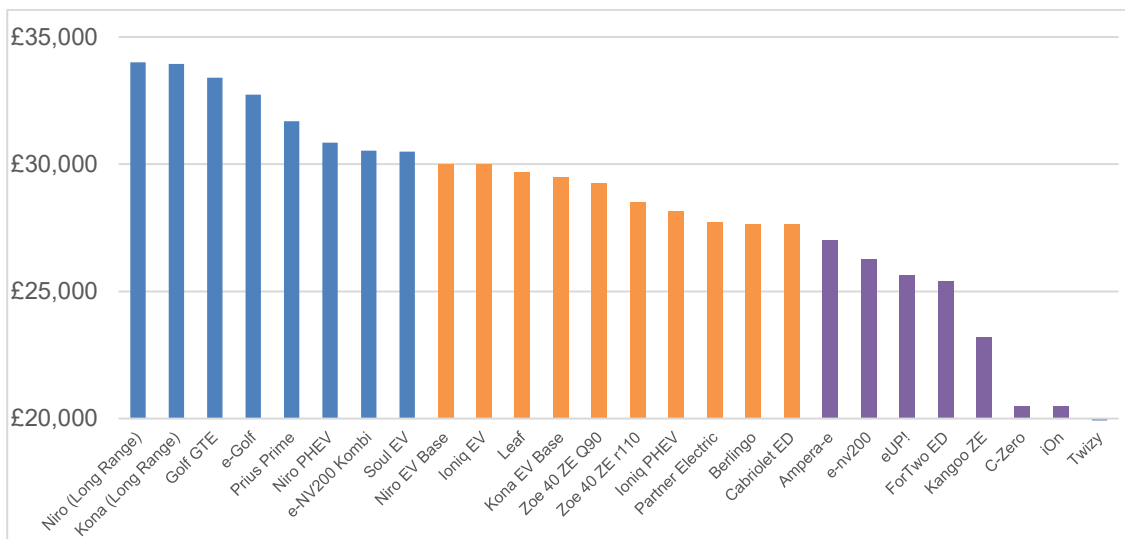
The lack of policy certainly restricts private sector investment in providing EV models, charging infrastructure and related services, which has already caused Australia to fall behind in the global transition to electric vehicles. In 2019, global average market share for new electric vehicle sales was between 3-5%, now rising to 5-10% in 2020. In Australia that figure is 0.6%.

Market share of EV sales 2019 (%)



The resulting uncertainty has restricted investment in e-mobility in Australia. Noted in the comments above, the supply of vehicles in the mid-tier segment are particularly limited. There are ~317 EV models available globally¹⁰, with only 29 for sale in Australia¹¹.

EVs available in UK <£35,000 (before subsidy)



The United Kingdom, which is a major right-hand drive vehicle market that influences product availability in Australia, has 26 EV models available priced under £35,000 before subsidies. In Australia there are only seven models available priced under an equivalent \$60,000AUD.

This is also impacted by the limited supply of these vehicles, with waiting times for new EVs lengthened as products are delivered to more supportive markets. The product allocation decisions of these companies will only be negatively impact by further charges on EVs.

¹⁰ Bloomberg New Energy Finance, *Electric Vehicle Outlook 2020*

¹¹ The State of Electric Vehicles in Australia 2019, Electric Vehicle Council

4. Price parity will likely be delayed in the Australian market if new taxes are introduced and reduce demand

The Draft Report states 'Price parity is expected to occur as early as 2025, with 58 per cent of all passenger vehicle sales likely to be electric by 2040.'

In this argument, the Draft Report references BloombergNEF's Electric Vehicle Outlook 2019¹². The concern in this line of thinking is that since EV prices will fall, uptake will rise regardless of government policy and an early tax is justified.

As we have demonstrated, lower priced EVs do not come to the Australian market today due to the absence of government regulations and supportive policies. This point has been stated repeatedly by the automotive sector.

China's biggest car maker SAIC has criticised Australia's "unique" lack of policy incentives for the electric car industry, saying the policy black hole is preventing a healthy market for environmentally friendly vehicles from developing.¹³

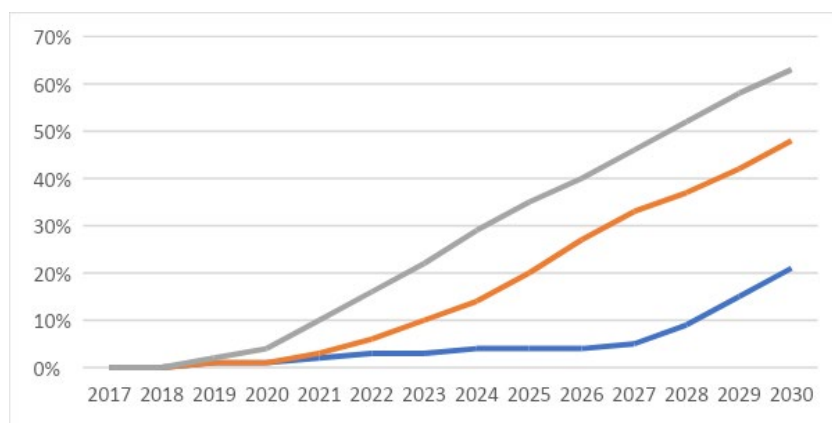
Kia Motor Company, has explained its indefinite delay in bringing the award winning e-Niro to Australia, "KMC policy is e-Niro goes to countries that have CO2 regulations and have legislation in place, that's the issue with us in relation to getting e-Niro."¹⁴

Toyota Motor Corporation Australia has commented on its delays bringing lower priced EVs to the Australian market, "I don't think it's people-readiness, I think it gets down the infrastructure, and I also think it gets down to affordability, and that's really critical here."¹⁵

BMW Australia "This is the technology that all major manufacturers have subscribed to, that the majority have invested in, planned for, committed to and embraced — except Australia"

In a report commissioned by Commonwealth Government agencies ARENA and CEFC, Energeia demonstrates the impact of business-as-usual in Australia compared to policy actions in various scenarios. It finds, Australia's EV market stagnates over seven to nine years compared to global markets due to our current policy inaction. It should be noted that since this study was published, other markets have increased their policy support for EVs resulting in lost investment for Australia and we are currently falling short of the low / BAU projections.

Energeia Market Study, EV uptake projection scenarios



¹² The report references This argument references the *BITRE*, Yearbook 2019: Australian Infrastructure Statistics. It is assumed this is a typo in the reference.

¹³ Chinese car giant slams electric car black hole <https://www.afr.com/companies/manufacturing/chinese-car-giant-slams-electric-car-black-hole-20191115-p53awi>

¹⁴ Kia Australia's EV plans delayed <https://www.carsguide.com.au/car-news/kia-australias-ev-plans-delayed-76580>

¹⁵ Toyota Australia looks to roll out EVs from around 2025 <https://www.caradvice.com.au/802835/toyota-australia-electric-vehicle/>

What we have demonstrated is that our key consideration is not the technological capability of EVs, but their market availability in Australia.

5. The Draft report uses EVC research in a misleading way

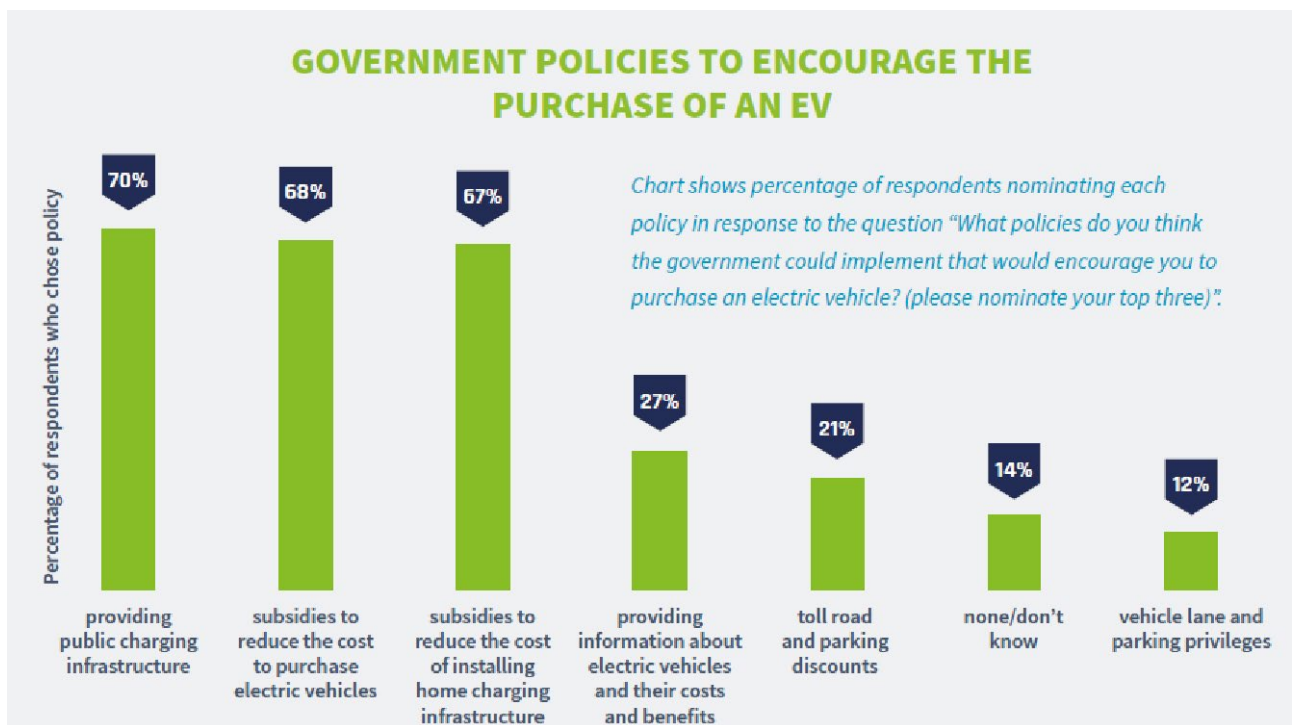
The Draft report states that, ‘...it is unlikely that sharing in that cost would discourage drivers from buying electric vehicles. As research presented by the Electric Vehicle Council shows, upfront, or ‘sticker’ prices, are much more important considerations than operating costs when making purchasing choices in the vehicle market.’

This research was taken out of context, used in a misleading manner, and done without consultation with the EVC. What our research finds is, consistent with global attitudes, upfront costs play an important role in purchasing behaviour. This is a primary barrier in Australia where unlike our global counterparts, no incentive is provided to reduce the price premium for EVs.

This is somewhat, but not entirely, offset by the lower operating cost of EVs. Introducing a tax to the operating cost of EVs would negate their economic benefit, while maintaining their upfront price barrier. To be clear, our research found that operating costs and the total cost of ownership are still important considerations for prospective EV purchasers.

Regardless of its source, it is concerning that the Review would conclude that taxing the operating cost of EVs would not discourage uptake.

What our research has found is consumer support for the introduction of policies that reduce the price of EVs and support the deployment of charging infrastructure. In an annual survey conducted through Australia’s major motoring clubs, a majority of consumers support government providing public charging infrastructure, subsidies to reduce the cost to purchase vehicles and subsidies to reduce the cost of installing home charging infrastructure.



Source: State of electric vehicles in Australia 2019

6. International jurisdictions investigating RUCs have already provided significant incentives for EVs, Australia can't skip step one

The Draft Report uses several overseas markets who are investigating RUCs to justify their recommendation. These are Oregon, California, Washington and Utah.

Similarly, but left out of this report, New Zealand has a Road User Charge on top of Fuel Excise, but EVs are exempted.

Each of the markets quoted in the Draft Report are conducting research to determine whether or what type of road charge would be ideal. Each of these markets has had fuel efficiency regulations in place since 1976, and provided a range of electric vehicle incentives, including upfront cost incentives over the past decade. None of these measures are in place in Australia.

These States have also poured significant resources into developing EV charging infrastructure, reductions to ongoing costs such as registration, educational programs and provide non-financial incentives to EVs.

Below is a breakdown of EV incentives available in the State's referred to in the Draft Report. These markets have made significant investments toward support EV uptake and are now considering next steps, within that ecosystem. There is no comparison to be made to the Australian market where no such support exists.

Market	Incentive (USD)	State + Federal	~\$AUD
US National	\$7,500	-	\$10,000
California	\$2,500 - \$9,500	\$10,000 - \$17,000	\$15,000 - \$25,000
Oregon	\$2,500 - \$5,000	\$10,000 - \$12,500	\$15,000 - \$18,000
Utah	\$1,500*	\$9,000	\$13,000
Washington	\$2,500	\$10,000	\$15,000

*State component expired

7. The EVC questions the appropriateness of the argument to use EVs to 'sneak in' a RUC for political expediency

The only justification provided for starting this program exclusively with EVs rather than incorporating all vehicles is political convenience.

It is startling that an independent expert review would recommend a bad public policy in the interests of political expediency. The Draft Report states, "Given their current relatively small share of the market and concentration among relatively higher-income drivers, electric vehicles provide possibly the easiest way to correct different problems". It further uses the support of submissions which state that

"Once price parity is reached, and electric vehicles become the default choice for households across the country, the window of opportunity for reform will have closed, and mass market uptake will have made this sensible reform electorally unachievable."¹⁶ Government's should be expected to make a compelling public policy case against a scrutinous electorate. The EVC would encourage the Review to base its findings on the merits of public policy.

¹⁶ Road User Charging for Electric Vehicles, Infrastructure Partnerships Australia

8. Governments should consider measures to support EV uptake before introducing new charges

Governments around the world are passing increasingly stringent measures to support the transition to EVs. For NSW and Australia, a similar approach to what is considered 'average' globally would include:

- Tax incentives in the range of \$10,000-\$15,000 for purchasing EVs
- Fuel Efficiency Standards
- Mandated EV targets
- Phase out dates for new internal combustion engine sales (ICE)
- Equivalent of \$1.5bn for charging infrastructure grants
- 'Feebate' mechanisms increasing charges on ICEs to fund rebates on EVs
- Fleet targets at 100% with interim targets
- Industry development funds

This enormous gap between Australian measures to support EVs compared to the rest of the world demonstrates the harm in prioritising new charges for EV use.

Further to these federal measures, for NSW, or another State Government, responsible action would include all or most of:

- Time-limited exemption on Stamp Duty and Registration costs for EVs
- Government fleet target of 100% by no later than 2030
- Including EV weighting in government procurement contracts (especially for public and commercial vehicle fleets)
- Further matched funding for EV charging
- Mandating 'EV readiness' for all new renovated buildings
- Banning the sale of new ICE vehicles by 2040
- Fuel Efficiency Standards to stage the transition to zero emissions
- Industry development and innovation funding
- Customer education programs

9. The economic benefits of EVs should be priced into future models

The Draft Report acknowledges the external benefits of transitioning our transport sector to electric. However, the economic upside of these benefits is then disregarded in recommending a new tax to mitigate the loss in fuel excise.

As States establish their plans to reach net zero emissions by 2050, the benefits of electric vehicle uptake should be priced into treasury models.

The resulting decreased uptake of EVs due to this tax should also be counted, as well as the cost of any measures to mitigate this impact, such as the need for future carbon offsets due to the relative increase in petrol / diesel vehicle sales.