

Submission to the Department of Treasury and Finance, Government of South Australia on the Road User Charge for Zero and Low Emissions Vehicles: Consultation Document.



The Electric Vehicle Council (EVC) is the peak body representing the electric vehicle industry in Australia. Our members include companies involved in providing, powering, and supporting electric vehicles.

We welcome the opportunity to make this submission to the Department of Treasury and Finance, Government of South Australia on the Road User Charge (RUC) for Zero and Low Emissions Vehicles: Consultation Document.

The Electric Vehicle Council would like to acknowledge the South Australian Government's delay for the RUC introduction – this demonstrates a willingness to consult with the EV industry. We hope that the feedback provided to Treasury results in a favourable outcome for the EV industry and the SA Treasury.

The Electric Vehicle Council welcomes the investment in charging infrastructure made by the South Australian Government. Additionally, the commitment to electrify the Government fleet.

However, in its current form, the Electric Vehicle Council does not support the EV RUC as outlined in the consultation document.

We look forward to working with the SA Government so that its good work is not overshadowed by poor tax policy.

Initial comments on the consultation paper:

- The EVC supports road tax reform – but not where it only affects EV drivers. The RUC model should be developed in line with the ACT Government and international jurisdictions, that are allowing for opt- in models for all vehicles types
- A road user charge now is premature and will stifle EV uptake.
 - Model availability will continue to be limited as manufacturers send EVs to markets that have policy to support uptake. The early implementation of an RUC will restrict consumer choice.
- An RUC charge applied exclusively to EVs is not an equivalent to fuel excise.
- The SA Government should delay the introduction of an RUC until EV market penetration is 10% or by 2030.
- Electric vehicles make up less than 0.1% of the vehicle market in SA, without immediate policy to support electric uptake, the revenue from an RUC will be stagnant.
 - The SA Government should work to accelerate uptake in the next five years, to generate worthwhile revenue in the second half of the decade. Limited EV uptake means limited revenue generation.
- The proposed rates by the Vic Government do not accurately measure the fuel excise of vehicles that are currently available for sale Australia – they measure the fuel excise paid on a vehicle that is 10 years old.
- The EVC questions the data that is used to justify 'how much' a PHEV driver would pay.

- It is likely PHEV drivers will be unfairly taxed under the current design scheme - as they pay for fuel excise and for petrol/diesel.
- Where an RUC promotes 'equity' of road use contribution, plug-in hybrid vehicle drivers will be double taxed.
- International best practice has planned for RUC implementation through trials on an opt-in basis for all drive trains.
 - Opt-in models allow the Government to plan for the incorporations of all drivetrains.
 - Opt-in models do not unfairly target EV drivers
 - Opt-in models adjust expectations of participants, providing governments with breathing room for implementary error.
- The method for data collection unfairly burdens electric vehicle drivers who will be tasked with taking photos of their odometer readings and saving paper trails for 5 years – otherwise facing a penalty.
 - This ad-hoc approach to administration suggests that the Victorian Government is rushing through an implementation process that focuses on the 'why' while it works out the 'how'.

The impact of a premature road user charge (RUC)

The Electric Vehicle Council supports efforts to reform the road taxation system via road user charges (RUCs). However, the Electric Vehicle Council opposes the implementation of a tax that will:

- stifle adoption of electric vehicles in an emerging market and/or
- create a net financial disincentive to electric vehicle uptake.

Any effort to implement an RUC must be done in conjunction with a financial incentive to offset a net-disincentive for electric vehicle owners.

Governments must consider measures to support electric vehicle uptake before introducing new charges for electric vehicles. In jurisdictions that are now implementing trials of RUCs, consumers have been provided with financial incentives over the last decade to stimulate uptake.

Additionally, these jurisdictions are not implementing blanket approaches of RUCs for electric vehicles. In contrast, they are running pilot schemes on a voluntary basis, while conducting research into the methods for designing road user charge programs.

For example:

California has been considering road user charge funding options since the launch of its pilot scheme in 2015. An RUC is being considered because 'Californians are switching to more fuel-efficient vehicles, meaning they buy less gas and pay less gas tax.'¹

*"The California Road Charge Phased Demonstration program, represented in four phases, is meant to explore how drivers could be charged for the miles they travel, rather than the fuel they use. The program outlines several methods for collecting revenue, such as paying at the pump or at electric vehicle charging stations, or through a usage-based insurance approach."*²

A similar scheme is proposed in the ACT, where all car owners can opt-in to a road user charge system, that replaces the upfront registration cost.

Furthermore, given the policy priorities of the South Australian Government, a far greater priority should be the implementation of emissions charges and low emissions zones. The

¹ State of California (2021) Car Road Charge: <https://caroadcharge.com/about/fags/>

² Transport Topics (2020) California Seeks 150 Participants for Road User-Charge Research

loss of revenue from fuel excise due to electric vehicles is not expected to be realised in the short to medium term, whereas the impacts of increasing emissions from South Australia's transport sector are immediate.

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. Under this scheme, a luxury SUV, Lexus RX 450h will pay less in fuel excise than the road charge applied to an electric vehicle.

The table below demonstrates that fuel efficient petrol vehicles contribute as little as 1.4c / km in fuel excise. While the average new car sold in 2019 pays 3c / km. The suggested tax for electric vehicles is 2.5c / km.

In 2020, there were approximately 100,000 petrol vehicles sold that pay less than 2.5c/km in fuel excise, compared to the 6,900 electric vehicles sold in that year.

Vehicle	L/100km	Fuel excise equivalent (c/km)	Annual @ 15,000km (\$)
Average new car	7.19	3	450
Lexus RX 450h	5.7	2.4	360
Toyota Prius	3.4	1.4	210
Proposed EV Tax	0	2.5	375

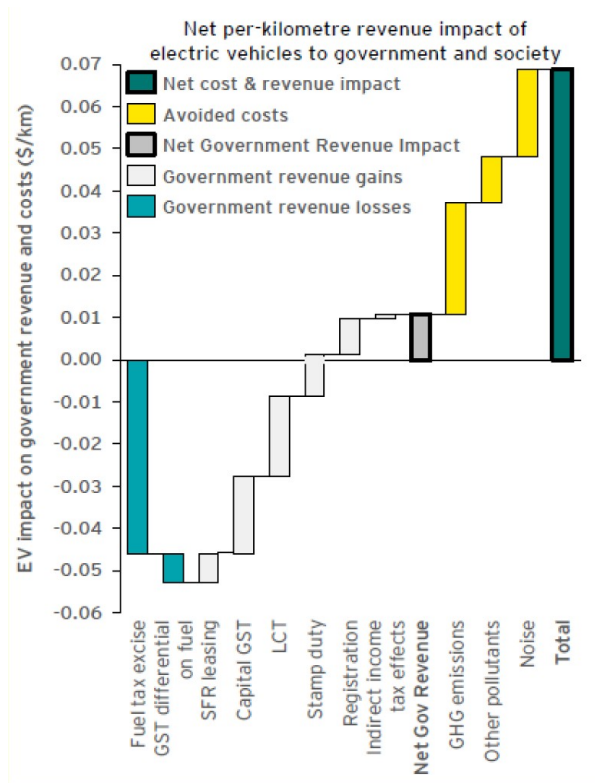
The ‘unfairness’ argument doesn’t stack up as EVs today pay more in tax in their lifetime than a petrol/diesel vehicle.

The assertion that it ‘unfair’ for an electric vehicle to use roads without paying fuel excises refuses to acknowledge the cost benefit of electric vehicles for health sector, the economy, and the environment.

Research from EY shows that EV drivers pay more in tax throughout their lifetime than a petrol and/or 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.



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

The confidence that electric vehicle uptake in Australia will increase exponentially to 2025 and beyond, regardless of policy support and/or new charges, is unjustified. This is demonstrated today, where lower priced electric vehicle models are not bought to Australia, due to investor uncertainty for demand.

The increased model availability and declining prices forecast for electric vehicles and associated technologies will not be mirrored in Australia without the correct policy settings for electric vehicle manufacturers.

The automotive sector has repeatedly stated that model availability in Australia is restricted due to the absence of government regulations and supportive policies:

- **Nissan Australia - Chief Executive, Stephen Lester**, said a lack of leadership in embracing electrified cars was out of step with the world's leading economies and there was no reason the nation could not be a global leader in the uptake of the technology- "The manufacturers play a key role in bringing choice and availability to the market. The private sector can support the build-up of infrastructure and services. And we need the government as another arm of support by giving direction and confidence to consumers."³
- **Volkswagen Australia - Managing Director, Michael Bartsch** says he "cannot convince his German head office to supply Australians with the company's top-selling mid-range electronic vehicles because of "embarrassing" local laws." Additionally, that a lack of carbon standards means that the VW board will not allocate electric vehicles to the Australian market.⁴
- **SAIC, China's biggest car maker**, 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.⁵
- **Toyota Motor Corporation Australia** has commented on its delays bringing lower priced electric vehicles 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."⁶
- **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."⁷
- **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."⁸

³ SMH (2021) Maker of world's most popular electric car blasts Australia's lack of ambition

<https://www.smh.com.au/politics/federal/maker-of-world-s-most-popular-electric-car-blasts-australia-s-lack-of-ambition-20210302-p5772f.html>

⁴ SMH (2021) VW boss says 'embarrassing' rules stop cheap electric car imports:

<https://www.smh.com.au/business/consumer-affairs/vw-boss-says-embarrassing-rules-stop-cheap-electric-car-imports-20210322-p57d85.html>

⁵ Australian Financial Review (2019) Chinese car giant slams electric car black hole

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

⁶ Car advice (2019) Toyota Australia looks to roll out EVs from around 2025

<https://www.caradvice.com.au/802835/toyota-australia-electric-vehicle/>

⁷ Drive (2017) BMW slams Government over "inaction" for electric cars <https://www.motoring.com.au/bmw-calls-for-government-co2-action--again-107537/>

⁸ Cars Guide (2019) Kia Australia's EV plans delayed <https://www.carsguide.com.au/car-news/kia-australias-ev-plans-delayed-76580>

The Electric Vehicle Council recommends that:

- Short-term financial incentives are prioritised to accelerate uptake of zero emissions vehicles in line with the governments net zero targets.
- The road user charge is delayed until greater uptake of electric vehicles is reached:
 - To 2030, or;
 - When electric vehicles have reached 10% fleet penetration.
- The road user charge is implemented for all vehicles on an opt-in basis:
 - Bearing in mind an RUC is being implemented to ensure equitable revenue generation from all vehicle users, the introduction of an RUC must not be restricted to electric vehicles only.
 - Loss of fuel excise is a result of fuel-efficient cars consuming less petrol/diesel, which require drivers to purchase less fuel and pay less fuel excise.
 - Internal combustion engine vehicle owners may benefit economically from switching to an RUC system, where they drive less than the average vehicle in South Australia, and therefore should pay less in fuel excise/road user charges.
 - An opt-in for all approach for all vehicles allows for the system to be refined as needed, without disadvantaging electric vehicle owners. Additionally, it adjusts expectations of participants who are aware they are part of a pilot program.
 - As previously outlined, the ACT has announced that any road user charge measures in the next four years would be voluntary opt-in measures for all vehicle owners.
- An RUC is designed and implemented in consultation with the electric vehicle industry and other relevant stakeholders.⁹

The need for stronger electric vehicle policy in South Australia

Once sold; vehicles stay on the road for an average of 15-17 years. Consequently, in order for South Australia to meet emissions targets, policy must accelerate uptake immediately.

Given that many other sectors (agriculture, aviation, mining, shipping) will be relying on offsets to meet net-zero by 2050 commitments, strict attention should be paid to the fact that zero emissions transport technology is available now, and intrinsic to the success of the South Australia Government's climate change ambitions.

Particularly where:

- Transport currently accounts for 29% of South Australia's emissions – the highest of any sector.
- South Australia has emissions reduction targets of 50% by 2030 and 100% by 2050.

Under existing market conditions, Bloomberg projects that electric vehicle market share will only account for 18% of sales by 2030 and up to 64% by 2040.¹⁰

Therefore, in order to reach its own targets, the SA Government must put in place actions to accelerate uptake **five times beyond** where the market is currently headed. The

⁹ Insurance groups, motoring groups, transport peak bodies, etc.

¹⁰ Bloomberg (2021) Even Tesla can't overcome Australian hostility to electric cars

<https://www.bloomberg.com/news/articles/2021-04-12/even-tesla-can-t-overcome-australian-hostility-to-electric-cars>

Government's current EV Action Plan to facilitate market uptake will not have the impact necessary to meet net-zero by 2050.

The lack of formative electric vehicle policy in Australia continues to have a devastating impact on electric vehicle uptake. This is despite that fuel efficiency standards and financial incentives are recognised as the most effective means to encourage uptake of electric vehicle uptake.¹⁰ In fact, no successful electric vehicle market exists globally without having provided financial incentives to lower the upfront cost for consumers.

Global commitments to electrification

The importance of the electrification of transport to achieving net zero emissions targets is well recognised globally. National and **sub-national jurisdictions** with plans to ban internal combustion engine vehicle sales include¹¹:

- *By 2030: Barcelona, Cape Town, Denmark, Iceland, Ireland, Israel, London, the Netherlands, Slovenia, Sweden, the United Kingdom and Vancouver.*
- *By 2035: Japan, California.*
- *By 2040: France, Sri Lanka, and Singapore.*

In addition, vehicle manufacturers are investing billions towards electrification via new product lines, and setting targets:

Recent commitments include¹²:

- Audi commits \$15.4 billion to electrification with 20 electric vehicles by 2025
- BMW plans over 7 million electric vehicles globally by 2030
- Daimler announces \$85 billion investment in electric vehicle
- Ford commits to 100% all-electric passenger vehicle range in Europe by 2030
- General Motors commits to all electric by 2035
- Hyundai plans 23 electric cars by 2025
- Jaguar Land Rover commits to all electric by 2025
- Nissan plans to electrify all new models in Japan, China, the US, and Europe from the early 2030s.
- Renault announces 24 new models by 2025
- Volkswagen invests \$142 billion in electrification over the next 5 years

What does good electric vehicle policy look like?

The Electric Vehicle Council recommends that a mix of regulatory, financial, and infrastructure policy is implemented in four areas:

1. Policies to directly reduce electric vehicle costs and improve model availability

Policies to reduce electric vehicle costs and improve model availability have the most impact on electric vehicle uptake. These 'carrot' policies, such as financial incentives, encourage consumers to purchase electric vehicles. Importantly, these policies are required for manufacturers to decide to bring electric vehicles, particularly models in cheaper 'mass market' segments to Australia.

The Electric Vehicle Council recommends that Australia accelerate uptake and improve model availability by:

¹¹ This is not an exhaustive list

¹² Additional commitments can be found in: EVC (2020) State of Electric Vehicles 2020 appendix

- Providing an upfront financial incentive of at least \$5,000 for the purchase of an electric vehicle, for the years 2021 - 2025.
 - This may be achieved through a combination of via an upfront incentive / cashback schemes, and/or an exemption to existing charges such as registration and motor vehicle tax duty exemption.
 - An incentive of \$5,000 would be on the low end of upfront financial incentives available globally. The table below lists national incentives in G7 countries, excluding complementary incentives available at the sub-national level.

G7 electric vehicle purchase incentives		
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	£3,000	\$6,000
USA	\$7,500 USD	\$10,000
Australia	-	-

Table 1: Financial incentives for the purchase of electric vehicles

- Publicly stating an aim to achieve a sales target of 100% electric vehicle sales by 2030 (or 2035 at the latest).
 - The EVC is currently developing research on the annual sales objectives that would be required to achieving net zero by 2050 would be happy to work with the Government in developing their milestones.
- Supporting states to require public transport contracts procure new zero emissions buses and coaches as soon as feasible, with a target of full fleet electrification by 2030.
- Delaying a road user charge until electric vehicles account for 10% of the fleet, or set by a later date, with interim reviews.
- Creating exemptions for zero emissions freight vehicles to operate outside current residential curfews and bans, and trialling waivers for weight restrictions for these vehicles.

2. Implementation of CO₂ emission standards

Currently, 80% of the global light vehicle market has CO₂ standards while Australia does not.¹³ The introduction of light vehicle CO₂ emissions standards, in line with global standards, would directly reduce emissions and encourage vehicle manufacturers to bring a wider variety of electric vehicles to Australia.

Research has shown that CO₂ standards have had a direct impact on electric vehicle uptake in jurisdictions that are tightening them. In Europe, 2020/2021 CO₂ standards regulate that automakers must reduce their overall fleet emissions to 95g CO₂/km (for 95% of their car sales in 2020).

¹³ Australian Financial Review (2019) Fuel efficiency standards better than a Trump deal <https://www.afr.com/property/commercial/fuel-efficiency-standards-better-than-a-trump-deal-20190806-p52e97>

Once the 2020/2021 regulations came into effect in 2020, electric vehicle (battery electric and plug-in hybrid) sales grew from 3% to 10.5%, while petrol and diesel market shares dropped for the first time under 50% and 30% respectively.¹⁴

A clear CO₂ policy commitment would signal to vehicle manufacturers that the government is serious about addressing emissions from passenger transport.

Importantly, these standards should be complemented with measures to support consumers decisions to achieve these targets, such as financial incentives for electric vehicles.

3. Policies to improve charging convenience

The provision of charging infrastructure is necessary to relieve range anxiety for prospective consumers. However, investment in charging infrastructure does not alleviate the cost burden of purchasing an electric vehicle. States are incorrect to argue that investment in charging facilities offsets the burden of new taxes.

Where electric vehicle ownership is not incentivised, the commercial viability of operating public charging infrastructure will continue to be unfeasible. As such, charging infrastructure investment should be coupled with policy drivers to encourage electric vehicle purchasing.

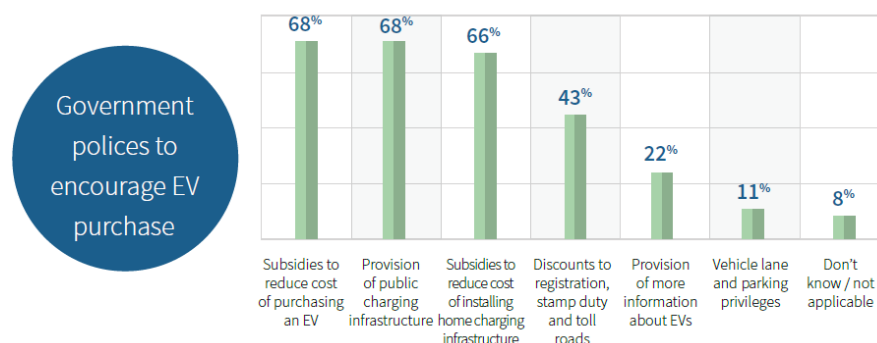
The Electric Vehicle Council recommends that governments improve charging convenience by:

- Providing financial incentives to reduce the cost for home chargers.
- Providing financial incentives to reduce the cost for commercial chargers.
- Investing in bus depot upgrades to power electric bus transition.
- Investing in heavy vehicle charging infrastructure along freight routes to support long distance logistics transport operators.
- Addressing inappropriate electricity tariff structures that disincentivise the rollout of public electric vehicle charging sites.

4. Policies to increase consumer knowledge and awareness

Consumers in Australia have already indicated interest in an electric vehicle as their next vehicle purchase. Research published by the Electric Vehicle Council in August 2020 found that 56% of respondents would consider purchasing an electric vehicle as their next car purchase (up from 48% in 2018 and 53% in 2019).

Furthermore, respondents overwhelmingly indicated support for government policies to reduce the cost of electric vehicles and provide public charging infrastructure, with 68% indicating these were policy mechanisms to encourage uptake.



¹⁴ Transport and Environment (2021) CO₂ targets propel Europe to 1st place in emobility race <https://www.transportenvironment.org/sites/te/files/publications/2020%20EV%20sales%20briefing.pdf>

Consumer surveys have shown a strong correlation between knowledge of electric vehicles and willingness to purchase.¹⁵ Government should, following effective actions to increase electric vehicle uptake, support efforts to educate consumers, including fleets, of the benefits of electric vehicles.

Given that the revenue generated by an RUC directly correlates to the number of electric vehicles sold, the introduction of an RUC without providing incentives to offset the cost, will result in a loss of potential revenue over the next decade. Should South Australia follow Victoria's lead, it will become the second jurisdiction globally to net-disincentivise electric vehicles.

Furthermore, recent analysis by EY for the Electric Vehicle Council has quantified the net benefit of electric vehicles in Australia, where the average net benefit to government and society of an electric vehicle replacing an internal combustion engine vehicle is \$8,763.¹⁶ This net-benefit should be included in costings when considering the loss of revenue from fuel excise as a result of electric vehicles.

Additional resources

Please find attached to this submission:

1. Electric Vehicle Council – Briefing on an Electric Vehicle Tax for the South Australian Government
2. EY report - commissioned by the Electric Vehicle Council – Uncovering the hidden costs and benefits of electric vehicles.

¹⁵ Electric Vehicle Council (2020) State of Electric Vehicles in Australia 2020
<https://electricvehiclecouncil.com.au/reports/state-of-electric-vehicles-2020/>

¹⁶ EY (2020) Uncovering the hidden costs and benefits from electric vehicles