



AUSTRALIAN
AUTOMOTIVE
DEALER
ASSOCIATION

AUSTRALIAN INVESTMENTS IN NEW AND DEVELOPING LOW EMISSIONS TECHNOLOGIES

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FOREWORD

The Australian Automotive Dealer Association (AADA) is the peak industry advocacy body exclusively representing franchised new car Dealers in Australia. There are around 1,500 new car Dealers in Australia that operate more than 3,000 new vehicle outlets and this submission will be limited to commenting on those issues relevant to our industry.

The automotive retail sector in Australia is one of the most competitive in the world. Around 70 brands offer some 400 models for sale in a relatively small market of about one million units annually (less than 1.5 per cent of global demand). Data from the ABS reveals that the average age of the nearly 20 million registered vehicles in Australia is currently 10.4 years.

As we begin the transition away from hydrocarbon-based fuels powering the fleet, we need to make sure that current and emerging technology solutions are given the opportunity to succeed and that we have a regulatory framework which enshrines competitive neutrality. It is also important that consumers and businesses are not left stranded as the move to new solutions occurs. This can be achieved through the adoption of a plan containing agreed, widely communicated milestones and a schedule that allows enough lead time for the infrastructure and funding to be established in a sustainable way.

While the focus of the consultation paper is the development of a technology roadmap, attention should also be given to ensuring that there is an appropriate taxation system in Australia that promotes the uptake of low emissions technologies and does not stifle investment.

We commend this submission for your consideration.



James Voortman
Chief Executive Officer



AADA KEY POINTS

- 1** The Government should develop a joint strategy for the roll out of low emissions vehicle charging infrastructure with state governments, vehicle Manufacturers, electricity retailers and other private sector participants.
- 2** The main factor constraining EV demand in Australia is the high up-front cost of purchase.
- 3** The unintended consequence of the Federal Government's legacy taxes – the Passenger Vehicle Tariff and Luxury Car Tax - is that EVs are more expensive.
- 4** Before considering politically contentious direct incentives, the Government should abolish the Passenger Vehicle Tariff and Luxury Car Tax, both which fall disproportionately on EVs and other low emissions vehicles.
- 5** Continue supply of currently available low octane / high sulphur fuel and fast track the introduction of low sulphur petrol.
- 6** Develop a world leading hydrogen industry in Australia by 2030 and roll out a hydrogen distribution / refuelling network that supports Australian transport.

ELECTRIFICATION OF THE FLEET

According to the VFACTs data from May 2020, sales of electric / PHEV vehicles in the passenger private sector have grown 45.2 per cent and 115.9 per cent year to date. While these figures demonstrate significant growth, the overall volumes compared to conventional ICE vehicles remain very low and ABS data from the May 2020 Motor Vehicle Census shows that in the Australian car parc, 98.3 per cent of vehicles are powered by fossil fuels.

The adoption of Electric Vehicles (EVs) is hindered by several key factors that prevent largescale uptake by consumers. The upfront purchase cost of an EV is still prohibitive for the average Australian while the available charging infrastructure and range anxiety continue to be a concern to buyers.

The price of EVs is inflated by Federal Government taxes which fall disproportionately on EVs. While there is discussion about providing EVs with financial incentives to make them more attractive to buyers, a more logical place to begin would be the abolition of the Luxury Car Tax and Import Tariffs that are a legacy of a time when cars were manufactured in Australia but have no place in the current economic landscape.

In regard to the issue around range anxiety, there is an argument that as the average trip distance of most Australians is well within the capacity of the current EVs, concerns about range are a perception issue and don't reflect the reality that current EVs easily cater to the needs of most motorists. This point of view ignores the fact that many Australians enjoy annual driving holidays, covering large distances towing caravans and trailers. These are user requirements that the current range of EVs have trouble meeting, though this is changing rapidly with several vehicle makes and models in the pipeline well suited to these tasks.

In the immediate future consumer concerns could be overcome through the installation of a comprehensive public charging network. The Government should develop a joint strategy for the roll out of low emissions charging infrastructure with state governments, vehicle Manufacturers, electricity retailers and other private sector participants. As improvements in battery technology occur, resulting in longer range and shorter charge times, combined with a highly visible re-charging network, concerns about range anxiety will largely be alleviated.

In earlier work, the AADA responded to the Select Committee on Electric Vehicles which is inquiring into the use and manufacturing of EVs in Australia. The submission is available [here](#).

THE FUTURE OF FOSSIL FUELS

Traditional ICE powered vehicles still have an important role to play in Australia, even as we transition away from fossil fuels to renewable sources. Renewal of the fleet will take more than a decade and ICE engines are likely to be the predominant power source for road vehicles for many years to come. Petrol and diesel engines will continue to become more efficient while producing lower emissions, however, there are challenges ahead that if not overcome will limit vehicle choice and slow the uptake of these more efficient engine options.

The improved health outcomes and greater efficiency of low sulphur, along with the growing scarcity of older generation engines create a compelling case for Australia to introduce low sulphur petrol ahead of the existing schedule.

In Australia petrol powered cars currently comprise 72.7 per cent of the national fleet, and diesel makes up 25.6 per cent. The latest engine technologies require low sulphur fuels of at least 10ppm. Engines designed to run on 10ppm petrol produce less emissions and are more fuel efficient than older generation ones. Since 2009, Australian diesel fuel has met the 10ppm limit however our petrol is still up to 150ppm for 91 octane and 50ppm for the higher-octane grades. The move to low sulphur petrol is not scheduled to occur until 2027 however the world's major car Manufacturers are already phasing out high sulphur petrol engines and the new low sulphur designs are not compatible with our current petrol standards. There are also health implications associated with high sulphur content with its use in combustion engines leading to the production of sulphur dioxide and harmful particulate matter.

HYDROGEN AS A TRANSPORT FUEL

New technology is also making available motor vehicles that are fuelled by hydrogen (fuel cell electric vehicles). While these are increasingly available in places such as Japan and Korea, the lack of a distribution and fuelling infrastructure in Australia is currently a barrier to their availability to Australian consumers. This may change in coming years as innovative Australian-developed solutions for the transport and storage of hydrogen come on line. Hydrogen fuel appears particularly well suited to use in the heavy transport sector and AADA supports the work of the COAG Energy Council in developing a world leading hydrogen industry by 2030.

CONCLUSION

We would be happy to meet with departmental staff to further discuss the submission above. If you have any questions, please contact me or our COO Brian Savage at the following:

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