



AUSTRALIAN
AUTOMOTIVE
DEALER
ASSOCIATION

SUBMISSION TO **INQUIRY TO THE TREASURY LAWS** AMENDMENT - (ELECTRIC CAR DISCOUNT) BILL

AUGUST 2022



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FOREWORD

The AADA welcomes the opportunity to provide input to the Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022.

The AADA is the peak automotive industry advocacy body and is the only industry association which exclusively represents new car Dealers in every Australian state and territory. There are approximately 1,500 new car Dealers in Australia that operate some 3,100 new vehicle Dealerships. Franchised new car Dealers employ more than 59,000 people directly and generate in excess of \$59 Billion in turnover and sales with a total economic contribution of over \$14 Billion.

Franchised new car Dealers sell approximately one Million new vehicles a year and the Commonwealth receives around one Billion dollars in road-related fringe benefits tax annually. The forecasted financial impact of this Bill would represent an estimated five per cent decrease in the cumulative FBT contribution over the next four years.

AADA supports the introduction of measures and incentives that encourage the uptake of zero or low emissions vehicles by Australian consumers. This Bill is a step in the right direction; however, it is a drop in the ocean, and we believe more can be done to influence zero and low emission vehicles (ZLEV) uptake by introducing a national electric vehicle strategy.

ZLEV uptake in Australia is being hampered by high upfront costs relative to comparable ICE vehicles, lack of consumer choice, lack of charging infrastructure and range anxiety, particularly in rural areas. We believe the government can provide solutions to some of these limitations with sensible policy implementation that goes beyond this FBT

exemption.

We support the introduction of the Treasury Laws Amendment (Electric Car Discount) Bill 2022. We would welcome the Government's development of a national electric vehicle strategy that considers the opportunities and risks involved in the transition to ZLEVs.



James Voortman
Chief Executive Officer



Australia

3,118 Dealerships



Economic Contribution



59,667

Dealer Employees



\$5.38 billion

Dealer Wages



\$2.74 billion

Tax Contribution



\$14.12 billion

Total Economic Contribution

AADA KEY POINTS

- 1 The adoption of ZLEVs will bring a range of future economic, environmental, and social benefits.
- 2 New car Dealers play an important role in supplying ZLEVs to the market, and in maintaining them.
- 3 New car Dealers support a technology neutral approach to ZLEVs.
- 4 The key consideration for new car Dealers is consumer demand and our members are constantly trying to respond to the market.
- 5 Factors constraining the uptake of ZLEVs in Australia include high purchase price compared to ICE vehicles, lack of consumer choice in preferred models, a current lack of vehicle supply, and options available for charging or fuelling their ZLEVs.
- 6 There should be a mandatory vehicle emissions standard combined with upfront incentives for the purchase of ZLEVs
- 7 Australia needs structural reform of automotive taxation.
- 8 Avoid restricting consumer choice by legislating bans of certain power trains.
- 9 Any incentives or restrictions should not unduly punish consumers or motorists who cannot afford the transition.

NEW CAR DEALERS ARE KEY TO ROLLING OUT ZLEVS

As zero and low emissions vehicles become more prevalent, new car Dealers will play an important role in supplying those vehicles to the market, as they sell almost every new car in Australia.

There are a range of projections which show that the sales of ZLEVs are set to increase in the coming years. If the expected level of uptake eventuates, new car Dealers are well placed to respond to the logistical challenge of supplying and safely servicing these vehicles.

The Australian new car Dealer network is well placed to provide on the ground information and assistance in educating the buying public. Consumers have many questions on ZLEV issues such as range, charging, performance, and others. Dealers working with their manufacturers are well placed to discuss these issues, but also to facilitate demonstrations of the ZLEV technology.

In the past there has been a misunderstanding that the automotive industry in Australia is resistant to the adoption of ZLEVs, because of a perceived threat to profit margins however this is not the case. Franchised new car Dealers work closely with their Manufacturers in developing inventory which reflects market preferences, and as this preference transitions to ZLEV our members will respond to the market.

Franchised new car Dealers employ more than 59,000 people nationwide, many of which are mechanics or service technicians. ZLEVs may require less regular service and maintenance as they have fewer moving parts than ICE vehicles. However, they still require trained technicians to provide servicing

and repairs and some forms of maintenance, such as tyre replacement, may see an increase in revenue.

There will also be additional revenue streams which come with the emergence of ZLEVs and Dealers are well placed to work with their OEMs in assisting consumers with home charging solutions, usage of vehicles as mobile batteries and recycling of batteries to name a few.

It is also important to note that when these vehicles do need repairs, they will require trained technicians due to the risk that ZLEVs pose. New car Dealers benefit from factory training and are contractually obliged to have appropriately trained workshop staff working on state-of-the-art vehicles. They commit significant investment to training of their staff and are a major employer of apprentices.

FACTORS LIMITING THE UPTAKE OF ZLEVS

ZLEVs make up 2.3 per cent of all new car sales in Australia YTD in 2022. The market share has increased from 0.8 per cent for 2021, so the market appears to be starting to significantly shift towards ZLEVs as an option.

Higher Upfront Purchase Price

The biggest factor constraining uptake in Australia is the higher upfront cost of purchase. Despite the significant savings in running costs, many consumers are put off by the fact that ZLEVs are nowhere near price parity with ICE vehicles. For comparison, two of the cheaper ZLEVs on the market are the MG ZS EV, and the Hyundai Kona Electric Elite. They offer comparable ICE vehicles:

Model	Cost	Model	Cost	Difference
2022 Hyundai Kona Elite Auto 2WD	\$31,900 ¹	2022 Hyundai Kona Electric Elite Auto	\$54,500 ¹	\$22,600
2021 MG ZS Essence Auto 2WD	\$25,990 ¹	2021 MG ZS EV Essence	\$44,990 ¹	\$19,000

The reason for the price disparity is the high cost of the lithium-ion battery which is expected to decline over time. In the meantime, some countries have sought to bring down the cost of ZLEVs by offering financial incentives.

The United States is potentially the most appropriate market to compare with Australia's given the types of vehicles preferred, availability of public transport, the cost of fuel, and the distances required to travel. The US Federal Government have used income tax credits as a tool to encourage adoption of ZLEVs since it was first introduced in 2005. These credits currently total over \$10,000 AUD and more than \$1,000 for home charging infrastructure.

¹ <https://www.redbook.com.au/>

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In Germany, they estimate BEVs now account for 14 per cent of new car registrations and announced they will be reducing financial incentives to purchase ZLEVs from 2023² as the ‘vehicles growing popularity makes government subsidies unnecessary’. Sales of ZLEVs almost doubled year-on-year, which was attributed to the subsidy scheme. Purchasers could access up to \$13,000 AUD towards purchasing a full BEV and this subsidy is only being wound down now that the government there believes it has provided enough change to keep it continuing naturally.

Norway is often cited as the leader and example when discussing what is possible in ZLEV sales. Whilst the challenges and landscape in Australia differ significantly to Norway, there are some lessons from their decades long transition to ZLEVs being 69 per cent of new cars sold in 2020. National incentives offered included no purchase tax or VAT (which is 25 per cent), no road traffic insurance tax, and company car tax discounts. Localised incentives included half price tolls, half price parking, and use of bus and taxi lanes. A centrepiece of Norway’s strategy included providing grants for housing associations, which was implemented at a local level of government.

Federal incentives similar to this FBT discount, which are able to be applied to more Australians will have a greater impact on reducing the cost of ZLEVs and therefore encouraging increased uptake of new ZLEVs. We would welcome any discussions regarding any incentives to encourage purchasing new ZLEVs.

Consumer Choice

One of the biggest factors constraining the uptake in ZLEVs in Australia is the lack of choice, particularly among the vehicle segments that Australians prefer. A casual glance at the list of ZLEVs currently supplied in Australia reveals that they are mostly premium SUVs and Sedans which due to their high price are out of reach for most consumers. The more affordable ZLEVs are generally smaller passenger vehicles.

The list of ZLEVs available in Australia bears little resemblance to the list of top selling vehicles in Australia and a close inspection of the 20 best-selling vehicles reveals that Australians have unique vehicle preferences.

The two top selling vehicles of 2021 are Utes, as are 7 out of the top 20 selling vehicles. Utes and 4WD vehicles contributed to 21.2 per cent of the new vehicles sold in 2021. There is currently no commercially available battery electric or plug in hybrid electric Ute available for sale in Australia. Obviously, the demand for these types of vehicles is quite high, so Manufacturers should be encouraged to provide electrified variants through government intervention such as introducing a fair and reasonable mandatory vehicle emissions standard.

² <https://www.reuters.com/technology/german-coalition-parties-agree-reduce-e-car-subsidies-handelsblatt-2022-07-26/>

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Charging Infrastructure

Home charging is considered as a top priority for consumers. Many consumers who purchase a ZLEV expect to be able to charge their vehicle at their home, and therefore it is important to consider the infrastructure and retro fitting expenses that will be required to facilitate this.

For many ZLEV purchasers, at home charging simply is not realistic and therefore continuing to install public charging infrastructure will be critical to supporting a growing ZLEV fleet. Further installation of charging stations, particularly in rural and regional areas, will alleviate any remaining concerns regarding range anxiety.

The inconvenience of time taken to re-fuel a vehicle fully will recede when the change in culture takes effect and fast charging stations become more prevalent and faster, but in the meantime, it is a factor that is considered by potential buyers.

MANDATORY VEHICLE EMISSIONS STANDARD

AADA supports the introduction of a mandatory vehicle emissions standard that is fit for purpose. Australia is a very small right-hand drive vehicle market in global terms, and it is situated at the end of a long and complex supply chain. Any vehicle emissions standard needs to be realistic, achievable, and should not unduly punish consumers or motorists who cannot afford the transition.

Australia has unique circumstances and needs a solution to suit those circumstances. AADA welcomes any opportunities for consultation with Government when designing a vehicle emissions standard.

MODERNISE AUTOMOTIVE TAXATION

Australia needs an urgent review of its Automotive taxation regime. Each year, Australians pay tens of billions in motoring taxes and charges to governments. According to the Bureau of Infrastructure, Transport and Regional Economics in the 2019-20 financial year, more than \$32 billion in such charges were paid.

As fuel-efficient vehicles are increasingly adopted and trends such as ridesharing accelerate, Australia needs to consider the way in which we tax motorists and create a system which is fit for purpose for the future. At the federal level, a considerable part of that tax revenue has been drawn from the Luxury Car Tax (LCT). At a state and territory level we have significant stamp duty and registration charges applied to vehicle sales.

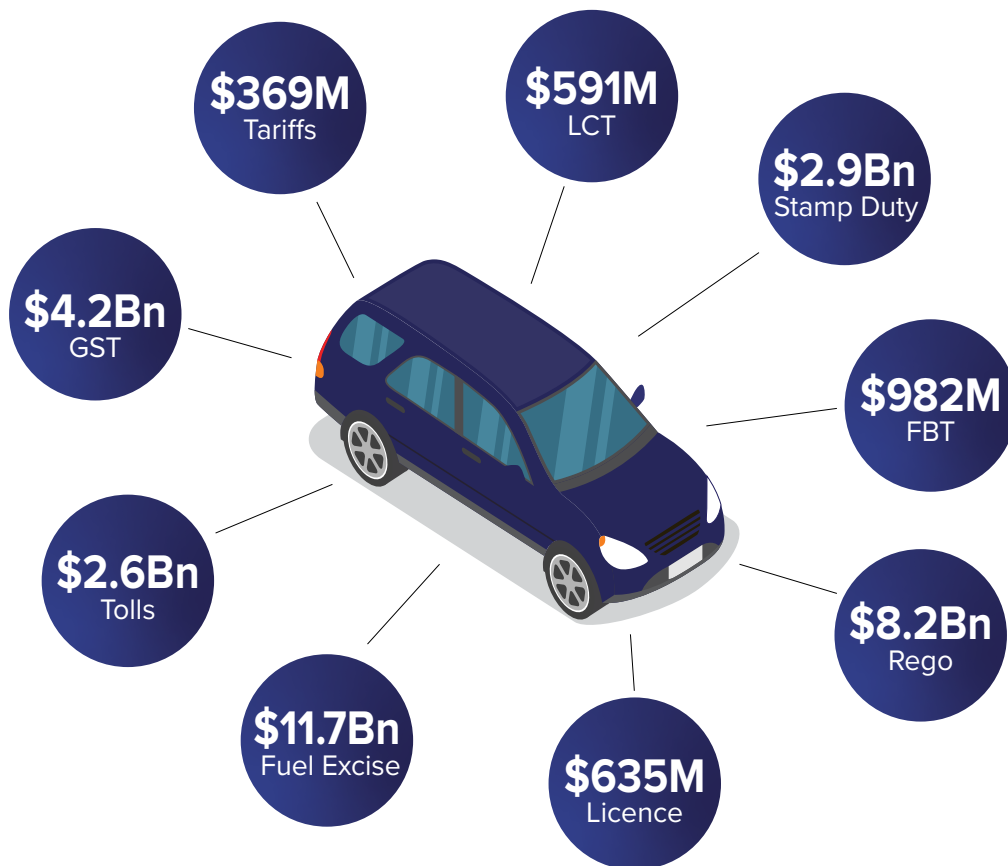
These taxes are outdated and have been discredited by various independent taxation reviews. Australian governments should work together to abolish or restructure these taxes to provide consumers and local Dealers with some relief, particularly as the new car market faces an uncertain future and supply remains severely constrained. Applying excessive taxes to new cars only disadvantages consumers seeking to buy vehicles which deliver greater safety as well as environmental and fuel efficiency benefits.

These legacy taxes were introduced in an era when Australia still manufactured passenger cars and maintaining them only disadvantages consumers and local businesses. Domestic passenger vehicle manufacturing no longer exists, but the tax structures that were there to support it continue to make passenger vehicles in

Australia more expensive than they should be. Australia needs to modernise its automotive taxation regime to encourage affordable safe, clean, and efficient new cars. The Government has identified road safety, lower energy costs and emissions reduction as priorities – renewing the national fleet by selling new cars supports these priorities.

The AADA notes that technological and societal changes to our personal modes of transport, whether it be the increased uptake of fuel-efficient vehicles or autonomous vehicles in the longer term, will undercut current Commonwealth, State and Local Government taxation revenue streams. We urge the Federal Government to commence a program of consultation and establish a comprehensive automotive taxation regime that is fit-for-purpose for these new realities.

BILLIONS Taxed on cars in Australia.



Total Tax paid by Motorists: \$32.2 Billion

Source: BITRE, Australian Infrastructure Statistics Yearbook 2019, Table T 3.3a Selected road-related taxes and charges, Financial Year 2019-20, p. 71.

CONCLUSION

The aim of the Bill is to support the uptake of electric cars by increasing the affordability of those vehicles. The AADA supports the implementation of this legislation and its intentions to reduce Australia's carbon emissions. We support the regular review of these amendments to ensure the changes remain relevant to the speed of the transition to ZLEV uptake.

AADA encourages further steps to be taken in implementing a more comprehensive national electric vehicle strategy that will allow more Australians the opportunity to purchase a ZLEV.

We would welcome the opportunity to appear at any hearing held by this committee. If you require further information or clarification in respect of any matters raised, please do not hesitate to contact me.

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