

Department of Industry, Science and Resources

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AADA SUBMISSION – NET ZERO FUND CONSULTATION

The Australian Automotive Dealer Association (AADA) welcomes the opportunity to submit a response to the Net Zero Fund consultation.

The AADA represents almost 3,800 new car and truck dealers in Australia, which range from family-owned small businesses to larger and publicly owned businesses, operating in regional Australia and capital cities across the country. Franchised new car and truck dealers employ more than 68,000 people directly with a total economic contribution of around \$18 billion. Each year franchised dealers sell more than 1.6 million new and used vehicles, and complete over 44 million individual service, repair, and maintenance jobs. The AADA supports objectives of transition to lower and zero emission technologies in the light vehicle sector and notes the 2035 net zero emissions reduction targets.

As the primary policy in the transport sector the New Vehicle Efficiency Standard (NVES) attempts to quickly change the new vehicle supply landscape and move new vehicle consumers to buy lower emission vehicles from 2025. This represents a significant change to the new car market and environment in which franchised new car dealers operate.

The NVES and Net Zero Roadmap plan for the transport sector, are ambitious and if the goals are to be achieved, the Net Zero Fund will need to play a role in the transition to net zero in the transport sector. All sectors should have equitable access to Net Zero funding through flexible mechanisms, including grants and incentives that support the shift to lower-emission vehicles. This should include targeted support for dealers and their customers to encourage emissions reduction, ensuring the transport sector is not excluded from the Net Zero Fund.

In countries comparable to Australia demand side incentives have assisted in the transition towards lowering transport emissions. For a brief period, some consumer incentives were available to EV purchasers in Australia through State Government provided rebates. However, currently only the Commonwealth Fringe Benefit Tax (FBT) EV Discount arrangements offer some people support to buy a Battery Electric Vehicle (BEV) via a tax based concession.

The AADA provides this submission specifically about the impact of net zero policies on the automotive market and franchised new car dealers. The AADA supports the objectives of these policies but has reservations about their supply side emphasis, such as the NVES. While the outcome of the NVES implementation progression between now and 2030 is unknown, expanding the remit of the Net Zero Fund to include financial incentives to assist the transition to lower emission vehicles, will almost certainly ensure improved outcomes such as by improved consumer uptake, easing the cost burden on industry, and accelerating emissions reduction in the transport sector.



It is well established that consumers remain hesitant to shift their purchasing preferences toward battery electric vehicles. As a supply-side policy, the NVES does not directly influence consumer choice or incentivise demand, rather, it penalises vehicle importers, and by extension local dealers, for non-compliance. To drive meaningful change, complementary demand-side policies are needed to encourage consumers to make the switch to lower-emission vehicles. Without these, there is a risk that demand for EVs will not meet the expectations of Government, and dealers will be caught holding unsold stock imported to meet NVES but unpalatable in the market.

AADA Recommendations:

AADA submits that the Net Zero Fund should be designed and implemented to include assistance with the costs of transition to low emission vehicles by:

- Introducing Net Zero Funding EV incentive grants to purchasers of low-emission vehicles
- Permitting the Net Zero Fund to be used flexibly to provide financial assistance in the form of grants, subsidies, low-cost loans, incentives, tax incentives, and accelerated depreciation allowances to allow industry and consumers to invest in low-emissions vehicles, equipment, and charging installations
- Inclusion of funds to add plug-in hybrid electric vehicles (PHEVs) to the FBT exemption arrangements
- Allowing an instant asset write-off for new vehicles, EV charging equipment, and grid upgrades to facilitate EV chargers
- Broadening the Driven EV charging program to include scope for more Dealers to become eligible for EV charging equipment grants
- Inclusion for funding in the Driven program for costs associated with the upgrade of grid side upgrades or a new round of Net Zero grants funding for dealers who will incur grid upgrade costs
- Application of Net Zero Funding of grants for installation of home, workplace, and on street EV charging equipment.

Consumer Acceptance of EVs

Consumer acceptance remains a central issue for electric vehicles and net zero outcomes. A considerable proportion of prospective new car buyers are not yet convinced about buying a BEV as their next new car. While BEVs are an important part of the long-term transition plan, so far this year sales are only eight per cent of new vehicle sales.

The AADA's 2024 consumer survey indicates that willingness to purchase a BEV has remained steady at 39 per cent over the past two years, with affordability continuing to be the primary barrier. At the same time, hybrid and PHEVs are gaining popularity in the market, suggesting that many Australians view hybrids as a more accessible step toward electrification. Supporting this pathway with complementary demand-side measures could assist consumers in making the transition and moving closer to achieving NVES objectives. Net Zero Funding should be used to overcome some of the reasons why EVs are not yet being purchased in the volumes that will make a difference.

AADA Research On The Impact Of NVES On Automotive Dealers

The AADA recently commissioned The Centre for International Economics (CIE) to assess the potential impact of the NVES on new car dealers. The report, 'New Vehicle Efficiency Standard Impact on Automotive Dealers', estimated that dealer impact resulting from the NVES could be between \$1.1 billion and \$2.1 billion over the next five years. The CIE's analysis highlights that the NVES may create significant financial challenges for dealers, particularly those with a strong reliance on internal combustion engine (ICE) vehicles. The ability to achieve full compliance with this policy is likely to require major adjustments in product mix and vehicle pricing, which in practice may be difficult to sustain. The required adjustments could place pressure on dealers' ability to operate profitably through a number of factors such as operating costs, margins, new vehicle prices, and servicing revenue. This research clearly demonstrates that the NVES, as currently designed, places considerable emphasis on supply-side measures. Without complementary initiatives to spur consumer demand, there is a risk that the policy's effectiveness may be reduced and that dealers will experience challenges in managing stock and meeting changing market expectations.

EV Purchasing Incentives

Following the introduction of the NVES, there is now a clear case for the introduction of a national universally available purchase incentive for EVs. EV purchasing costs are significantly more than an equivalent ICE vehicle and countries which have enjoyed significant levels of uptake have typically provided financial incentives for consumers and businesses to make the leap into an EV.

Other jurisdictions that have implemented some form of efficiency standard have paired it with a strong and broad package of incentives aimed at improving the affordability, demand, and supply of EVs. For example, China has introduced an exemption from sales tax up to a maximum of 30,000 yuan for EVs purchased in 2024 and 2025. In order to achieve the targets of the NVES through compliance (to reduce transport emissions) rather than through the use of penalties and credits, it's important that it is accompanied by strong incentives to drive people into low-emission vehicles and will ensure Australians are not compromising on affordability and choice of vehicles.

Taxation is a Barrier To Uptake of Lower Emission Vehicles

In addition to GST, import tariffs and luxury car tax (LCT) (where applicable), each state and territory collects motor vehicle stamp duty at increasing rates and applies the assessment of these taxes on the market value of the vehicle, including all other taxes. The result is that new car stamp duty is a significant cost in buying a new car and can vary significantly across states and territories. The aim of encouraging the purchasing of newer and lower emitting vehicles should not be discouraged by adding extra taxes at the point of sale in each jurisdiction. The ACT had, up until their latest budget announcement, exempted electric vehicles from stamp duty, however, that consumer friendly exemption was removed. In EU countries, buyer financial and tax reduction incentives exist to encourage the purchase of new EVs. The standout incentive in Australia is the FBT BEV discount which applies, but only to those buyers who can make FBT arrangements via their employment.

Fringe Benefit Tax

The AADA commends the Government on the FBT discount for BEVs and recommends that the exemption continues. However, the Government should also urgently revisit the decision to exclude PHEVs from the scheme. It is becoming increasingly clear that Australia will have few if any affordable BEV utes and larger SUVs available in the foreseeable future. For example, the only BEV ute on the market in Australia costs almost \$93,000 – more than double that of the petrol or diesel equivalent. However, the introduction of the BYD PHEV Shark ute in 2024, demonstrated that there is significant demand for PHEV utes. It will clearly take time for the technology to arrive to make these larger vehicles affordable and capable in a BEV format. Until that time, hybrid including PHEV vehicles, provide a transitional technology for utes and SUVs which are incredibly popular in the Australian market. If PHEV vehicles are excluded from future FBT exemptions, prospective buyers are more likely to stick with petrol and diesel variants, and that is not the objective of net zero policies.

Revisit Business Incentives Such as an Instant Asset Write-Off

Investment is a critical component in driving productivity and economic growth. Previously businesses were able to access an expanded instant asset write-off and a Temporary Full Expensing measure which helped encourage businesses to invest, therefore driving productivity, and economic activity. Such initiatives have historically proven effective in stimulating this much needed investment.

Franchised new car Dealers make substantial investments in facilities, machinery, and equipment to improve their ability to sell, service and repair vehicles for the community they serve. These investments also have significant flow-on effects for the communities in which they operate, as they use local builders, contractors, and other service providers. Investment is not limited to cities, with dealers across the country making significant investments that benefit country towns, and regional and suburban areas. These investments are much more likely to occur if all Dealers have access to investment incentives. Under the current regime there are limited investment incentives available for Dealers, due to the low turnover thresholds.

Newer vehicles are safer, cleaner, and more efficient and providing incentives for businesses to replace ageing vehicles with newer vehicles represents a benefit for society. The AADA would encourage the exploration of the potential for Net Zero Fund investment measures to also be aimed at spurring business investment in the low emissions space. We would also recommend revisiting the temporary full expensing and instant asset write off by adding investment incentives and accelerated depreciation for EVs and commercial vehicles. Without these measures, it is likely that businesses will defer investment decisions.

Charging Support For Dealers – Driven Program

EV charging infrastructure is often mentioned as a significant purchasing barrier by prospective buyers. The AADA would urge the Government to introduce further support for businesses and individuals installing charging infrastructure. Dealers who have been deemed ineligible for Driven program grants due to the start date cut off should be given another opportunity to apply for a grant of financial assistance to cover charger installation costs incurred before the Driven program was announced.

A strong charging network is vital for the transition to EVs, giving consumers the confidence to invest in these new vehicle types. The availability of charging stations including fast chargers, ensures that drivers can continue to drive their vehicles in the same manner that they would whether it is an ICE vehicle or EV. This transition to EVs will require a significant investment in the infrastructure of charging stations and the subsequent grid upgrades required to facilitate the installation of these chargers. Which means that businesses seeking to install fit-for-purpose charging infrastructure can often be up for over six or seven figure investments that often include necessary upgrades to the electrical infrastructure.

The AADA is supportive of the funding now available through the DRIVEN program and sees it as particularly important for franchised new car dealers, as they are at the forefront of this EV transition. Dealers are required to invest in charging infrastructure for not only their own business purposes but as a service provided to customers. The AADA would also encourage charging assistance to go further, through assistance for the installation of home charging. Internationally there are extensive incentive schemes available for businesses and individuals who install charging infrastructure. For example, in the USA, businesses have access to the Alternative Fuel Infrastructure Tax Credit (AFITC) worth 30% of the purchase and installation cost of commercial EV chargers up to \$100,000, until 30 June 2026.

Conclusion

The AADA strongly supports Australia's ambition to achieve Net Zero by 2050 and acknowledges the vital role that the transport sector must play in meeting these targets. However, reaching these goals will require a balanced policy approach that recognises both supply and demand factors. The NVES sets ambitious emissions targets for new vehicles, but its supply-side structure places disproportionate pressure on importers and dealers without adequately supporting consumers to make the switch to lower-emission vehicles. Expanding the remit of the Net Zero Fund to include targeted, flexible and scalable incentives for both industry and consumers will be essential to accelerate uptake, smooth the transition, and ensure the policy's effectiveness.

The AADA would welcome further consultation on the Net Zero Fund and would be pleased to meet with you or answer any questions that arise from our submission.

Yours Sincerely,



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Endnotes:

¹ AADA/Zing: EV Research Wave 3 report 2024 <https://www.aada.asn.au/wp-content/uploads/2025/02/2024-AADA-Wave-3-EV-Research-Report-V2.pdf>

² The Centre for International Economics: New Vehicle Efficiency Standard impact on automotive Dealers <https://www.aada.asn.au/research-data/new-vehicle-efficiency-standard-impact-on-automotive-dealers/>

³ AADA?Zing EV Research Wave 3 report 2024 <https://www.aada.asn.au/wp-content/uploads/2025/02/2024-AADA-Wave-3-EV-Research-Report-V2.pdf>

