FEDERAL CHAMBER
OF AUTOMOTIVE
INDUSTRIES
ABN 53 008 550 347

LEVEL 1
59 WENTWORTH AVENUE
KINGSTON ACT 2604
AUSTRALIA
PHONE: 02 6247 3811
FAX: 02 6248 7673

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The Secretary
Senate Environment and
Communications Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Ms McDonald

The FCAI welcomes the opportunity to respond to the Senate Committee's inquiry into the Motor Vehicle Standards (Cheaper Transport) Bill 2014.

The FCAI is the peak industry organisation representing vehicle manufacturers and importers of passenger motor vehicles, SUVs, light commercial vehicles and motor cycles in Australia.

On 9 July 2014 Senator Milne introduced a Bill into the Senate to set CO2 targets for new passenger and light commercial vehicles. Specifically, the Bill proposes carbon emissions standards that manufacturers, importers or sellers of passenger motor vehicles and light commercial vehicles are required to meet as the average across their fleet. The Bill further proposes that charges would apply to sellers whose fleet averages exceed the vehicle carbon emissions standard. It has nominated a commencement date from 2017, with a number of phase-in periods:

- 130g/km for 2017 (70 per cent of vehicles), 2018 (80 per cent of vehicles), 2019 (90 per cent of vehicles) and 2020 (100 per cent of vehicles).
- 95g/km for 2021 (80 per cent of vehicles), 2022 (90 per cent of vehicles) and 2023 (100 per cent of vehicles).
- A review to be conducted to set targets to come into effect from 2024.

The Australian automotive industry is committed to making a strong contribution to national efforts to reduce greenhouse gas (GHG) emissions. CO_2 emissions from new light vehicles have decreased by 25 per cent since 2002. This far exceeds any other industry in Australia.

This decrease has been achieved through both the introduction of new technology while also providing increased consumer choice.

To deliver a greater rate of reduction in new light vehicle CO_2 emissions, and to make a real and significant improvement in CO_2 emissions from private transport, significant disruption is required via a whole-of-government approach that recognises:

- Fuel quality standards, which must match the emission technology in our vehicles;

- The Australian consumer preference for heavier light vehicles with larger and more powerful engines and automatic transmissions;
- The use of motor vehicles in Australia; in particular, how to reduce congestion in our major cities. There is significant potential benefit from C-ITS.
- Driver behaviour; and how eco-driving can reduce fuel use.
- Vehicle technology and the refueling infrastructure required to support new technologies such as electric vehicles, hybrid electrics and hydrogen fuel cells.
- Government incentives that may encourage the uptake of new eco-vehicle technology and new energy platforms, which come at a higher cost.
- Price signals to alter consumer behaviour to meet the government's objectives.
- Steps to reduce the age of the vehicle fleet, as newer vehicles are more fuel efficient.

It is the FCAI and the Australian automotive industry's view that CO_2 emissions standards or targets, vehicle pollutant emissions and fuel quality standards are inter-related and must all be considered together.

The Motor Vehicle Standards (Cheaper Transport) Bill 2014

The FCAI has a number of specific comments regarding the drafting and scope of this Bill.

Lack of industry consultation

The Australian automotive industry is concerned that there was no consultation with the industry in the preparation of this Bill. The first that the FCAI was aware of the Bill was upon its introduction into the Senate in July 2014. Accordingly, the industry has had no input into the preparation of the Bill or in the provision of relevant technical information that may have assisted its development. Had the industry been consulted on even the technical aspects of the Bill, the FCAI believes the initial drafting would not have included a noticeable and avoidable error.

In its current form, the Bill is drafted to include motorcycles (refer to Definitions – passenger vehicles (b) LA, LB, LC, LD, LE are all motorcycle categories). Motorcycles are not currently included in measuring CO2 emissions from passenger vehicles in Europe, Japan or the United States. There are currently no standards anywhere in the world for testing and measuring CO2 emissions from motorcycles. Adoption of this Bill would require the development of a unique CO2 emissions test for motorcycles, adding further cost and complexity to industry with negligible consumer benefit.

Scope of the Bill

The Bill has a single target for passenger cars and light commercial vehicles. Australia currently uses a National Average Carbon Emissions (NACE) that measures the average carbon emissions of all new light vehicles in Australia. It combines passenger motor vehicles, SUVs and light commercial vehicles. In contrast, both the US and the EU have different CO2 emission standards for passenger cars and light commercials that recognise the different operating needs of passenger vehicles and light commercial vehicles.

The US and EU both also have a range of additional measures, including various credits and incentives, to achieve their accelerated reductions. This delivers significantly different CO2 emission results in those jurisdictions, compared to those in Australia.

FCAI background papers on motor vehicle greenhouse gas emissions and fuel quality

I have attached two background papers for the Inquiry's reference. The papers are on motor vehicle greenhouse gas emissions and on fuel quality. The background paper on greenhouse gas emissions is

provided to assist the Inquiry's understanding of the differences across the measurement of motor vehicle carbon emissions across each of the Australian, EU and US markets. There are many different models for setting CO2 emission reduction targets with program flexibilities to encourage the introduction of newer and more expensive technology.

As you will see in the attached paper, the annual reduction of new light vehicles in Australia is comparable to other developed countries when compared on a like-for-like basis, i.e. exhaust emissions measured in a drive cycle test across the same market segments. The International Council on Clean Transport (ICCT) reported that the average annual rate of improvement in the EU for passenger cars between 2006 and 2012 was 2.8 per cent and the Global Fuel Economy Initiative (GFEI) reported that the average annual rates of improvement in fuel consumption in OECD countries during 2005-2013 was 2.6 per cent.

The average annual rate of improvement over 2011-14 in Australia was 4.11 per cent for passenger cars only and 3.55 per cent for passenger cars and SUVs.

In her second reading speech, Senator Milne claimed that:

> *"Brand new Australian cars guzzle more petrol than new vehicles sold in China, India, Europe and Japan. Australians are just wasting money on petrol when we really don't have to."*

The facts do not support this statement, and it must be acknowledged that the Australian car market is different to other major automotive (especially European) markets. In 2014, the National Transport Commission (NTC) released a Case Study comparing the Australian and UK markets[1]. The NTC found that:

- Australians have a preference for larger cars, SUVs and light commercial vehicles when compared to Europeans.
- Australians purchase vehicles with larger engines than Europeans.
- Australians purchase a higher proportion of vehicles with automatic transmissions than Europeans.

The NTC concluded that consumer preference was an important factor influencing the CO_2 emissions of new light vehicles.

The FCAI believes that a whole of Government approach is required to incorporate all associated issues, including fuel quality standards, which have a significant impact on vehicles' ability to meet CO2 (and air pollution emission) standards. If appropriate market fuel quality is not available, higher CO2 and exhaust emissions pollutants will be generated in-service with lower than expected improvements to air quality and health outcomes.

The FCAI trusts that the information contained in this submission assists the Committee's inquiry and the Chamber would be happy to participate further with the Inquiry.

Yours sincerely

Tony Weber
Chief Executive

[1] National Transport Commission, 2014, Carbon Dioxide Emissions from New Australian Vehicles 2013; Information paper, May 2014