



Australian Electric Vehicle Association Inc.



Date: 4<sup>th</sup> March 2021

To: Chair, Senate Standing Committee on Economics

Re: COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020

Dear Chair,

The Australian Electric Vehicle Association (AEVA) is a not-for-profit, volunteer-run organisation dedicated to promoting electric mobility for Australia. Formed in 1973, we represent the interests of electric vehicle (EV) owners and enthusiasts as well as many of the industries which support and by extension, prosper from electrified transport.

**On behalf of our 1000+ members, we wish to convey our support for any legislation which promotes electric vehicles, rather than taxing them.**

The AEVA made a submission to Infrastructure Partnerships Australia discussion paper back in July 2020. Our proposal does not ignore the potential for usage-based charging, but it does highlight the risk of impeding Australia's already woefully slow uptake of EVs.

Thus, it bears repeating:

- 1. Funding for road construction and maintenance comes from general revenue.** Federal consolidated revenue pays for a litany of important public services and amenities, of which roads are a small part. **Fuel excise and road funding haven't been linked since 1959.** Please stop claiming they are linked.
- 2. Electric vehicle owners are already paying plenty of tax.** The high up-front purchase cost attracts almost twice the GST and stamp duty of an equivalent internal combustion engine (ICE) model. Without any other financial incentives in place, **state and federal taxes already make up a large proportion of the purchase cost of an EV.**
- 3. As a source of revenue, fuel excise is in structural decline.** Improving fuel efficiency and low demand in general are driving the reduced excise. A conventional hybrid-ICE car owner would contribute less than a quarter of the fuel excise of a typical ICE-SUV, yet they would not be subject to this EV specific RUC. By this logic, hybrid drivers should be up for the same RUC.

4. Much like alcohol and tobacco, **the burning of liquid fossil fuels is bad for Australia's health and the global climate.** We should strive to eliminate the practice. **The current fuel excise serves as a disincentive to drive inefficient models.**

If Australia has any hope of achieving net-zero emissions by 2050, the full electrification of transport is mandatory. Making EVs more expensive to run will only hold us back.

**The AEVA remains open to an RUC framework only on the condition that all road users are subject to the same charge structure and that the fuel excise remains in place to disincentivise ICE vehicle use.** The following conditions are critical for fairness:

1. The road user charge is set between 0 and 1 cent per kilometre for **all vehicles**, ICE, hybrids, EVs, buses, trucks and motorcycles.
2. This rate is **multiplied by the vehicle mass**, such that revenue collected is accurately apportioned to the vehicles which do the most damage (large SUVs, trucks and road trains) while rewarding light vehicles, motorcycles and scooters. A flat rate contradicts the fuel excise which already penalises heavier and less efficient vehicles.
3. **The fuel excise is retained in its current form.**
4. **Only increase the per-kilometre rate as and when EVs make up more than a quarter of the fleet.**
5. The maximum rate should not exceed 4 c / km, which is roughly equal to the average ICE passenger vehicle's fuel consumption (10 l/100 km) before the vehicle mass is applied. This rate should only be applied when >80% of all vehicles are electric.

This is a fair proposal for the following reasons:

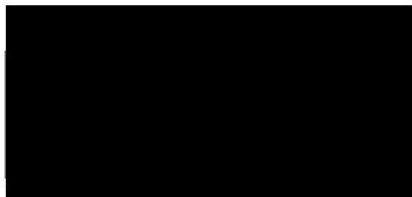
- It does not penalise Australians who choose to drive an EV. We should be removing disincentives to EVs, not creating new ones.
- It does not initially penalise Australians who cannot yet afford to buy an EV; new ICE vehicles bought today will still be on the road in 15 years time.
- A disincentive to drive ICE vehicles remains through the current fuel excise system. This revenue would be spent on remedying the negative public health impacts of ICE vehicle emissions.
- An annual odometer reading at registration renewal time (or EOFY / tax time) is a very simple and inexpensive way to administer the charge. This is easy to enforce by police or road transit authorities through roadside checks.
- The mass multiplier creates a disincentive to buy an excessively heavy passenger vehicle. Lighter vehicles are safer for vulnerable road users like pedestrians and cyclists who inflict less wear and tear on roads and bridges. They also reduce the impact of traffic congestion.
- It allows for a steady transformation of the vehicle fleet from ICE to EV without a sudden price shock, acknowledging that EVs are currently more expensive to buy.

Critical transport infrastructure like railways, roads and ports should continue to be funded from centralised revenue, as all Australians benefit from them. However due to the harmful externalities intrinsic to road infrastructure, a fair and broad usage-based revenue model may be beneficial.

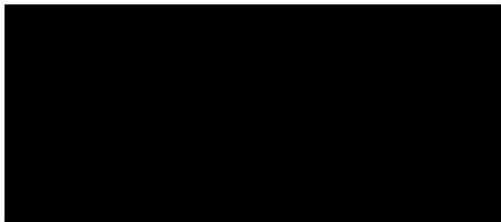
**The AEVA has offered qualified support to an RUC scheme, but only if it meets the above criteria. Proposals which single out EVs and plug-in hybrids only serve to fuel a culture war and will attract strong opposition from us.**

Electric vehicles offer many benefits of national significance; energy security, improved terms of trade, cleaner air, quieter cities, stable electricity grids, new high value industries and services, just to name a few. Now is not the time to be creating more financial barriers to their uptake, such as an EV-specific road user charge.

Yours Sincerely,



Chris Nash, President, AEVA



Dr Chris Jones, National Secretary, AEVA