



Nissan Australia Submission to the Senate Economics Legislation Committee on the COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020

March 4th, 2020

To whom it may concern,

I am writing in response to the recent Senate referral of the COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020 to the Senate Economics Legislation Committee for inquiry and report.

Within our response, there are 3 key points with respect to Nissan's view on Electric Vehicle (EV) transition and the impact of Road User Charges (RUC), which can be summarised as follows:

1. The transition to EVs is still in the early stages and requires support for Australia to catch up to the pace of adoption with other OECD nations. Taxes specifically targeting electrified powertrains will have significant negative impact on the technology uptake in Australia by impacting both customer demand and ultimately prioritisation of global allocation of new technologies.
2. Road funding is an important area requiring reform into the future, and road user charging will be the likely mechanism to replace existing fees, tariffs and charges. With respect to road funding specifically, RUC's must represent a fair and equitable way of recovering road maintenance and development costs from all road users taking into account factors that impact the wear and tear to roads (i.e. mileage & gross vehicle mass), whilst supporting and encouraging other key transport objectives such as reducing both transport emissions and congestion. Specifically targeting electrified powertrains is unlikely to deliver a significant economic result in the short term, however will impact the environmental and societal benefits that a timely transition to electrified powertrains represent.
3. A coordinated approach is required to drive the desired outcomes for both decarbonisation of transport and also road funding reform. Disparate state/territory based approaches place further complexity and barriers on the market, not only on customers within those impacted jurisdictions, but to those managing businesses and fleets on a national level.

The following expands on these key themes.

Introduction

As governments, business and society across the globe continue to work towards a cleaner and greener future, the reduction of the carbon impact from the transport sector continues to be a key strategic pillar. Whilst EVs are still an emerging technology in terms of market deployment, they have a critical role to play in this carbon reduction transition. As a result, many countries around the world have deployed significant resources toward accelerating

this transition through both direct and indirect support of this emerging technology, often citing its direct impact in areas of climate and health as significant policy benefits. The COVID-19 pandemic has had substantial impacts on the global economy and as governments have looked to 'restart' their economies throughout 2020/21 and beyond, many have deployed strategies to effectively 'double down' on electrified transport support. This has been seen most recently across key European markets such as France and Germany in terms of direct support, as well as the UK with strengthening of zero emission targets in recent months and a significant rapid change in direction by the recently elected Biden administration in the USA.

Nissan are long term advocates and early innovators in the EV space with the Nissan LEAF being sold globally for ten years and locally for eight years, and as such, we are very aware of how gradual the EV transition can be. We are really only starting to see the 'green shoots' of eight years of Nissan effort (plus growing industry efforts) since the launch of the 2nd generation LEAF last year. This is not an experience that is unique to Nissan in Australia – however unlike many other comparable markets around the world that have stated objectives backed with strong policy and supportive measures, Australia continues to be a difficult market to justify launching and selling zero emission electric vehicles.

Where is Australia today?

Unfortunately, Australia remains a laggard in terms of EV policy compared with that of other OECD nations. This has a direct impact on the extent and speed of market uptake in the Australian market, with EV penetration for new vehicle sales continuing to be significantly below that of other comparable nations at a total market level – less than 1% in Australia versus around [10% in the UK](#) for example. This is partially contributed to by the low level of EV choice in the Australian market. However, when looking at Nissan sales in isolation (as a like-for-like comparison) the trend remains constant.

This is despite consistent market research that shows high levels of consumer interest in, and consideration for, electrified technology, as validated by results from the RACV's fifth annual survey of consumer attitudes to EVs, conducted in partnership with the EV Council of Australia and released in 2020.

EVs are still in the early stage of market deployment and require support to continue their growth, as opposed to direct and unique rules and requirements, which effectively create a barrier for customer adoption.

Road funding is important – but must be fair, equitable and balanced against other transport, societal and climate objectives.

Due to the higher upfront costs of EVs today, consumers already make an increased contribution in terms of taxes and duties as part of the initial purchase. It is the ongoing operational cost reduction versus a petrol/diesel equivalent that allow consumers to realise a lower cost of ownership over time. Through the introduction of additional specific charges, consumers will effectively be dissuaded from making the purchase due to the proposed operating cost increase, especially in the absence of any other form of government incentive as seen in other markets. Due to the relatively low penetration of electric vehicles today, the material impact of EVs to road funding is and will continue to be negligible in the immediate term.

Nissan understands that road funding reform will be important in decades to come as mass adoption of low emission transport solutions takes place, effectively reducing the contribution of fuel excise, as well as ongoing progression toward pricing parity of electrified technologies reducing the tax and duty contribution of the upfront purchase. However, this is a mid-long term impact and it is Nissan's belief that this reform must be all-inclusive across the entire transport sector, consider how to recover the costs of roads in a fair and equitable manner based on usage (both mileage and GVM), whilst considering broader transport objectives such as decarbonisation and congestion management. Additionally the public health savings must be considered as a direct result of transitioning to more efficient means of transport, rather than targeting increased taxation on one single technology today.

Electric vehicles have been a focal point of proactive government policies within other international jurisdictions, with efforts placed on supporting the transition during this critical market introduction phase. Importantly, overall reform of the transport funding model has also been considered in other markets. Rather than moving straight to the introduction of further taxes, the approach has typically been planned as a gradual transition in line with targeted market penetration of electrified transport technologies, designed as an 'opt-in' trial (as is the case with California, for example), balanced by support mechanisms (such as incentives/subsidies) and mandated targets.

A co-ordinated approach is best; a fragmented approach is confusing and difficult to manage for industry and customers alike – especially large fleet operators.

Nissan recognises that road funding reform is required, and that a road user levy would likely fall into the remit of the various state and territory government in line with other ongoing vehicle operating charges and levies (such as registration). However disparate policies across various jurisdictions, in terms of vehicle applicability, calculation and collection methods, add further complexity to running a national automotive business. There is already a circa \$2,930 / 6% variance on stamp duty, levies and charges that make up the on road costs for a Nissan LEAF across the various states and territories. State based charges not only add further complexity to a national OEM such as Nissan, they also directly impact any business running a national fleet. Adding further complexity to national fleet operators presents further burden to a business looking to transition their fleets. Transitioning a fleet is already a difficult task for businesses – this is reflective of Nissan's sales results for LEAF thus far with only 21% of sales purchased by fleets.

There are many reasons why fleet uptake for EVs has been far slower than that of individual consumers. The addition of disparate State based user charges adds yet another barrier to businesses seeking to make the transition. With 'fleet' uptake being a focus/priority within EV strategy discussion papers at both the Federal and state/territory government level, the addition of specific EV road user charges at such early stages of this transition is in direct opposition with this objective.

It is our considered opinion that the Australian market is not ready for such a targeted tax directly aimed at zero emission electric vehicles and that the resulting impact on customer demand will see Australian EV sales stagnate at current extremely low levels. This ultimately means the Australian market will not see the same level of product choice and timely introduction of the latest powertrain technologies afforded to other more supportive jurisdictions.

Thank you for your consideration. We look forward to working with all levels of government and industry in supporting the ongoing transition toward electrified transport and sustainable energy solutions.

Kind regards,


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