



**FEDERAL CHAMBER
OF AUTOMOTIVE
INDUSTRIES**

ABN No 53 008 550 347

18 August 2022

Mr Alan Raine
Committee Secretary
Senate Economics Committee
Parliament House
CANBERRA ACT 2601

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Dear Mr Raine

Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022 [Provisions]

- FCAI warmly welcomes the Australian Government's Electric Car Discount and encourages Government to do more.
- Calls for Government to consider a suite of policies to increase the uptake of electrified vehicles for Australia's small right hand drive new vehicle market.
- Encourage law makers to focus on accelerating reduction of CO2 in the vehicle fleet to address consumers need for price and availability of vehicles across the range of vehicle categories.
- Global Powertrain Research commissioned by FCAI provides insight into the Australian Market over the next 10 years if Government doesn't take action – only 18% of new vehicle sales in 2030 will be Battery Electric Vehicles.

General commentary on electrification of the Australian car market

The Federal Chamber of Automotive Industries (FCAI) is the peak industry body representing the importers and distributors of new passenger motor vehicles, light commercials, and motorcycles. Our membership encompasses the vast majority of new motor vehicle and motorcycle brands in Australia and together they represent well over 95% of all new vehicle sales.

As the peak body representing cars makers, it is imperative that we have globally competitive policy to ensure that right-hand drive electrified vehicles demanded by Australian consumers are allocated to, and developed for, the Australian market.

The Government's Electric Vehicle Discount policy comprising the FBT exemption, as enacted by this Bill, combined with the tariff reduction are worthy initiatives and are welcomed by the industry. These initiatives will help Australia close the gap in global competition for vehicle allocation.

As welcome as this policy initiative is, we encourage the Government to go further as it develops its National Electric Vehicle Strategy. To increase the supply of vehicles that Australians can afford, and want to buy, we need a suite of policy solutions to ensure that Australia has the highest penetration of electrified vehicles possible. We encourage the Government and the Parliament to consider additional measures including:

- Implementing a mandatory new car CO₂ regulation
- Incentives for public, private and fleet charging and hydrogen refuelling
- Non-financial Zero and Low Emission Vehicle (ZLEV) incentives (for example, access to transit lanes, free parking, free charging)
- Mandate Government ZLEV procurement targets
- Consumer purchase incentives
- Accelerate the adoption of world class, international fuel quality standards

Car companies internationally are each spending tens of billions of dollars in the race to get zero emission vehicles to market. It is a reality that left-hand drive regulated markets such as North America, Europe and China, with CO₂/Fuel Economy standards, large incentives and a suite of other complementary policies, will be prioritised for the allocation of zero emission vehicles. Left-hand drive vehicles are around 70% of global production.

To invest in right-hand drive versions of vehicles developed for a global developed country market, such as North America, is in the order of an additional US\$50m and requires global right-hand drive sales in the order of 30 to 50 thousand vehicles a year. Due to tariff barriers and most right-hand drive markets being emerging economy countries with lower capacity to pay increased prices makes it a very difficult business case to justify the investment. The Australian market is just not big enough to justify an Australian-only right-hand drive vehicle program. This is the reason we are yet to see confirmed announcements by car companies of right-hand drive battery electric vehicles in segments such as utes and sub AU\$30,000 entry level vehicles for the Australian market.

Europe, the US, China and Japan over many decades have set clear CO₂ vehicle standards combined with significant suites of supportive policies. These policies strongly influence strategic investment decisions and vehicle sale allocations by country. In addition, the USA, Germany and Korea have kickstarted the uptake of battery electric vehicles using direct federal and state consumer subsidies of between US\$9,000 to US\$10,000.

FCAI Members want an Australian plan to reduce CO₂ vehicle emissions that is clear, and importantly, recognises the types of vehicles that Australians purchase - their price and the future availability of battery electric variants. It is critical that the plan has the support of the broader community so that car makers are able to plan for the longer term with certainty.

Our members understand the critical need for a CO₂ vehicle scheme as part of a broader zero and electric vehicle policy plan. When successive Governments on both sides of politics did nothing over the last two decades the FCAI membership took action in 2019 and introduced our own voluntary CO₂ Scheme, the only peak body in the world that we are aware of that has done so.

Our FCAI Voluntary CO₂ Scheme was always intended to be a starting point and is a sign of our commitment of the membership to reducing CO₂ emissions.

Review of the FCAI Voluntary CO₂ Standard

In line with the announcement of the CO₂ Standard in 2020, the FCAI is currently reviewing the structure and targets of the Standard after 2 years of operation. A regular review process is critical to any future Government mandated CO₂ standard.

Next Steps

We need strong action from Government to provide Australian consumers with affordable vehicle options in each category that meets their needs and quickly reduces CO₂ of the whole fleet. While the ultimate destination is a decarbonisation of the vehicle fleet, the road we take to get there has not yet been laid. What is clear is that consultation, cooperation and collaboration is needed between industry and Governments at the Federal and State level to deliver for Australian consumers.

Working together, meaningful change and significant outcomes can be achieved. Transformation of the vehicle fleet using a diverse mix of technologies is the most efficient and effective means to get where we need to go.

But getting to that destination isn't easy. We know there are pricing and product availability issues, and we accept there are other views. We want a better outcome for everyone, and we can only do that by working together. There is real risk that too many divergent views may lead to no comprehensive policy and no CO₂ scheme.

We need a policy solution to ensure Australia has the highest penetration of electrified vehicles possible. In the short to medium term, it needs to include a mix of technologies (hybrid, plug-in hybrid, battery electric, hydrogen and efficient internal combustion vehicles) rather than focus on one at the exclusion of all others.

FCAI commissioned S&P Global to research what technologies will be available in the future and at what price points, international production constraints and charging infrastructure requirements.

This information is vital to developing considered public policy. A summary of the research has been attached and can also be found on our website [s and p global research summary ndash australian pathways to reducing vehicle emissions and electrification of fleet.pdf \(fcai.com.au\)](https://www.fcai.com.au/s-and-p-global-research-summary-ndash-australian-pathways-to-reducing-vehicle-emissions-and-electrification-of-fleet.pdf)

S&P Global found that if a 100% BEV mandate was put in place by 2030 an entry level car would go up by \$12,500 and Australian drivers after a midsize SUV would need to increase their budget by \$10,000.

This will put the hatchbacks and small four wheel drives out of reach of the families across our suburbs who rely on these cars to get themselves to work and the kids to school.

Many drivers will have no choice but to hold onto old cars for longer, yet these are the very cars we want to get off the road.

This will disproportionately impact average Australian drivers who buy popular, affordable vehicles, not luxury brands.

FCAI members are fully supportive of initiatives that lead to reduced CO2 emissions in the Australian automotive sector. While in one sense the technology for zero and low emission vehicles (ZLEV) has been around for some time, the speed with which it is evolving is impressive. As these technologies mature, the breadth of vehicles offered to Australian consumers will correspondingly increase from the current limited offers.

Specific comments on the Bill

Increased Threshold

The FCAI notes in reading the Bill and Explanatory Memo the purpose of this proposed legislation is to increase the volume of electric vehicle sales in Australia. Given that electric vehicle technology is still increasing scale globally, resulting in higher costs per vehicle, means that currently vehicles above the LCT threshold make up a significant segment of the overall ZLEV market. Excluding this significant segment from the FBT exemption will seriously hinder the effectiveness of the legislation in driving faster adoption of EVs in Australia.

Should the Committee require further information, including data to support the extension of the FBT exemption to all ZLEVs, and not just those under the current LCT fuel efficient threshold, please contact the FCAI.

Benefit application for part year employment

FCAI notes that the legislation also applies to a benefit provided in the year of tax to “current employees” as per clause 8A (1) (a) of the Bill. The FCAI position is that the benefit should be available regardless of whether the employee is still employed with the company. For example, an employee is driving a vehicle provided to them 01/07/22. This vehicle is deemed to be exempt from FBT. The employee resigns on the 31/01/23. The benefit was provided in the year of income tax however if they are not classified as a current employee would the employer therefore be liable for the for FBT from 01/07/22 – 31/01/23? FCAI does not believe this is the intent of the Bill and a relatively minor amendment may improve the achievement of the Bill’s policy objective.

Application of the commencement of the Bill to FBT Full year

Along a similar vein the Bill currently applies to fringe benefits provided on or after 1 July 2022. FCAI believes there is a logical case to align this Bill with the full FBT year to which it applies, i.e., amend the reference to 1 July 2022 to 1 April 2022.

I look forward to discussing this submission further with the Committee and please do not hesitate to contact Matt Hobbs, Director Policy and Advocacy on [REDACTED] or [REDACTED] if you require further information.

Yours sincerely

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Tony Weber
Chief Executive

