

# Chair's Additional Comments

## Introduction

1.1 While I am pleased to have achieved a consensus report, I am disappointed that Senators from the Labor and Liberal parties were not prepared to go further, particularly with regards to measures that were fiscally balanced.

1.2 Throughout the course of this inquiry, the Committee was presented with strong evidence on the benefits to Australia of accelerating EV uptake. With the right leadership, Australia has an opportunity to capitalise on the global EV transformation. That would result in benefits to the economy, our environment, and public health.

1.3 Seizing this opportunity does not have to come at great cost. Measures like setting national EV purchasing targets will come at no cost to the Australian Government. While others, like investing in public charging infrastructure, can be offset by sensible policy reforms in related areas.

## National targets

1.4 As the Committee found, targets can provide confidence to consumers and businesses and encourage vehicle manufacturers to make a broader range of EV models available. Setting specific targets for the light passenger, light commercial and metropolitan bus sectors would also bolster the business case for expanding domestic EV manufacturing and supply chain activities.

## Recommendation 1

**1.5 The Australian Government establish national targets for EVs to make up:**

- **25 per cent of new light passenger motor vehicle sales by 2025;**
- **30 per cent of new light commercial vehicles sales by 2025; and**
- **20 per cent of new metropolitan bus sales by 2025.**

## Fiscally balanced measures

1.6 Backed by modelling from the Parliamentary Budget Office, I presented the Committee with a fiscally balanced package of measures to support the transition to EVs in the short to medium term, while addressing longer term challenges posed by the emergence of EV technology, such as reductions in fuel excise revenue (summarised in Table 1). Further background on the measures detailed below can be found in Chapter 5 of the Committee Report.

**Table 1**

#	Measure	Fiscal impact (2018-19 to 2021-22)
I	Changes to the Luxury Car Tax from 2018-19 (narrowing definition of fuel efficient vehicles to 4L/100km, returning the standard vehicle rate to \$57,180, and indexing both to vehicle CPI).	\$1.54 billion
II	Introduction of Road User Charge on EVs from 2025-26, phased in over five years and levied at same rate as fuel excise.	\$0
<i>Subtotal</i>		<i>\$1.54 billion</i>
III	Exempting EVs from import tariffs from 2018-19 to 2025-26	-\$300 million
IV	Exempting EVs from fringe benefit tax from 2018-19 to 2025-26	-\$140 million
V	State/Territory EV registration/stamp duty reduction co-funding	-\$390 million
VI	Mandating 50% of all new Australian Government fleet leases be EVs by 2025-26	-\$5 million
VII	Highway and workplace charging infrastructure grant funding	-\$300 million
VIII	EV manufacturing grants scheme	-\$300 million
IX	EV research and development grants scheme	-\$100 million
<i>Subtotal</i>		<i>-\$1.535 billion</i>

### *I Luxury car tax*

1.7 I recommend the Australian Government implement changes to the luxury car tax (LCT) as a means of improving the price competitiveness of EVs and funding measures to support EV uptake.

1.8 The structure of the LCT does provide fuel efficient vehicles with a lower tax burden (a higher tax threshold) than other vehicles. However, I note evidence that the differing indexing mechanisms for the two thresholds has meant that, over time, the price advantage for fuel efficient vehicles has been eroded.

1.9 While the Committee heard there is some support for exempting EVs from the LCT, I do not see this as an appropriate measure. Instead, I support modifying the LCT in three ways: narrowing the definition of 'fuel-efficient vehicles'; returning the taxation threshold for standard vehicles to its 2009-10 level; and indexing both rates to motor vehicle CPI.

1.10 Due to improving fuel efficiency, the number of vehicles which qualify as 'fuel efficient' vehicles for the purposes of the LCT has significantly increased since 2008. The definition of 'fuel-efficient vehicle' should be updated to take account of

fleet fuel efficiency improvements. Narrowing the definition to vehicles with fuel consumption not exceeding four litres per 100km, down from seven litres per 100km, would provide a greater price advantage to BEVs and PHEVs, which currently make up the vast majority of vehicles that use less than four litres per 100km.

1.11 The different mechanisms for indexing the LCT threshold for fuel-efficient vehicles and standard vehicles has resulted in the LCT threshold for standard vehicles increasing by \$9,151 over the previous 10 years, compared with an increase of \$526 for fuel-efficient vehicles (see Table 5.1 in Committee Report). This is despite the average price of vehicles having significantly reduced over the same period, as indicated by the decrease in the motor vehicle CPI expenditure class (down 12.2 per cent since 2008). As such, I see no policy rationale for having lifted the standard vehicle rate, and I support returning that rate to its 2009-10 level. I also support indexing these vehicle rates to motor vehicle CPI, so that any increase to the thresholds reflects increases in the average price of vehicles, rather than CPI in general.

1.12 Analysis provided by the Parliamentary Budget Office estimates that narrowing the definition of fuel efficient vehicles to four litres per 100km, lowering the standard vehicle rate to \$57 180 (as it was in 2009-10), and indexing both rates to motor vehicle expenditure class of CPI would generate \$1.54 billion in Government revenue out to 2021-22 and \$5.77 billion out to 2028-29.

## **Recommendation 2**

**1.13 The Australian Government narrow the definition of 'fuel efficient vehicles' to vehicles that do not use more than four litres of fuel per 100 kilometres, reduce the standard luxury car tax threshold to \$57 180, and freeze the index both rates to motor vehicle CPI.**

### *II Road user charge*

1.14 I note the historical decrease in fuel excise, and projected further erosion over time, and agree with the proposition that this revenue will need to be replaced. Reducing fuel excise could be partially offset by the introduction of a road user charging scheme specifically on EVs in Australia.

1.15 However, I am mindful that the imposition of road user charge on EVs may, given the current price disparity between EVs and ICE vehicles, serve as a disincentive to the purchase of EVs. To this end, I recommend phasing in a road user charge on EVs from 1 July 2025. According to modelling by the Parliamentary Budget Office, this would generate \$639 million in Government revenue out to 2028-29.

## **Recommendation 3**

**1.16 The Australian Government phase in a road user charge on EVs over a five year period (20 per cent per year) from 1 July 2025, levied at an equivalent rate to fuel excise, and calculated on a per kilometre travelled basis.**

### *III Import tariffs*

1.17 The evidence to the Committee is that the up-front price premium on EVs serves as a deterrent to motorists purchasing these vehicles. In order to reduce the upfront cost of EVs and address this price disparity, it would be appropriate to exempt EVs from import tariffs from 1 July 2019 to 30 June 2026 (after EV-ICE price parity is expected). Modelling from the Parliamentary Budget Office estimates this would decrease the Australian Government fiscal and underlying cash balances by \$300 million over the 2018-19 Budget forward estimates period.

#### **Recommendation 4**

**1.18 The Australian Government exempt EVs from import tariffs from 1 July 2019 to 30 June 2026.**

### *IV Fringe benefits tax*

1.19 In order to further reduce the upfront cost of EVs, it would also be appropriate to exempt EVs from fringe benefits tax (FBT) from 1 July 2019 to 30 June 2026. Modelling from the Parliamentary Budget Office estimates this would decrease the Australian Government fiscal and underlying cash balances by \$140 million over the 2018-19 Budget forward estimates period.

1.20 A lack of clarity around the calculation of EV operating costs in FBT and salary sacrificing arrangements can put EVs at a disadvantage when compared to ICEs. I therefore recommend a review of the operation of the FBT to ensure that EVs are not unfairly disadvantaged when the exemption period ends.

#### **Recommendation 5**

**1.21 The Australian Government exempt EVs from fringe benefit tax from 1 July 2019 to 30 June 2026, and review fringe benefits tax and salary sacrifice arrangements to ensure EVs are not unfairly disadvantaged compared to internal combustion engine vehicles.**

### *V Registration and stamp duty*

1.22 The ACT Government has already put in place a stamp-duty exemption for zero emissions vehicles and a significant reduction in registration fees. I recommend that the Australian Government allocate \$390 million in co-funding to help state and territory governments to temporarily reduce stamp duty and registration charges on all new and existing EVs.

#### **Recommendation 6**

**1.23 The Australian Government allocate \$390 million in co-funding to help state and territory governments temporarily reduce motor vehicle registration and stamp duty for all new and existing EVs.**

### *VI Government fleet target*

1.24 A mandated target that EVs comprise 50 per cent of new purchases or leases for the Australian Government fleet by 2025 would underpin an increase to EV uptake in Australia. Analysis provided by the Parliamentary Budget Office estimates a target of 50 percent by 2025 would decrease the Australian Government fiscal and

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underlying cash balances by \$5 million over the 2018-19 Budget forward estimates period, and \$39.5 million out to 2025-26.

### **Recommendation 7**

**1.25 The Australian Government establish mandated targets that 50 per cent of new Australian Government motor vehicle purchases/leases be EVs by 2025.**

#### *VII Public charging infrastructure*

1.26 I recommend the Australian Government establish a \$300 million grant fund to support the rollout of highway and workplace EV charging infrastructure where it is not commercially viable without government support.

1.27 I note the range of business models emerging around the development of commercial EV networks, particularly in metropolitan areas, and recommend that the Clean Energy Finance Corporation (CEFC) establish a dedicated 'EV Charging Infrastructure Program' of \$300 million from its existing funding allocation to support the rollout of commercial EV charging infrastructure.

1.28 Given the roll out of public charging infrastructure in rural and regional areas may not be a commercially attractive option for private operators, the Australian Government should consider allocating additional funding to support rural and regional charging infrastructure.

### **Recommendation 8**

**1.29 The Australian Government establish a \$300 million grant fund to support the rollout of highway and workplace EV charging infrastructure where it is not commercially viable without government support, and a \$300 million EV Charging Infrastructure Program within the Clean Energy Finance Corporation to support the roll out of commercially viable EV charging infrastructure.**

#### *VIII Manufacturing*

1.30 During the inquiry, it became clear that the current Automotive Transformation Scheme (ATS) is not designed to provide assistance to companies involved in the manufacture of EVs and EV components. However, rather than trying to adjust the requirements of the ATS to encompass the EV industry, a better approach would be to establish a specific grant scheme for domestic EV and EV component manufacturing. To this end, I recommend the Australian Government establish a \$300 million EV and EV component manufacturing grant scheme.

### **Recommendation 9**

**1.31 The Australian Government establish a \$300 million manufacturing grants scheme for domestic EV and EV component manufacturing.**

#### *IX Research and development*

### **Recommendation 10**

**1.32 The Australian Government allocate \$100 million to an EV technology research and development grants scheme.**

## **Regulatory reform**

### *Importation of second hand EVs*

1.33 As a further means to address the barrier that price forms to motorists purchasing an EV, and increasing the availability of EVs through the second-hand market, I support amending the Road Vehicle Standards Rules to facilitate the importation of second hand EVs.

### **Recommendation 11**

**1.34 The Road Vehicle Standards Rules be amended to allow all EVs to be considered eligible for independent importation, irrespective of whether a model has been previously sold by Original Equipment Manufacturers (OEM) in Australia, but only after the models cease being sold new in dealerships.**

### *Vehicle dimension limits*

### **Recommendation 12**

**1.35 The Australian Government work with the state and territory governments through the COAG Transport and Infrastructure Council to amend state and territory based light vehicle dimension limits to reflect the heavier weight (battery pack related) of light commercial EVs.**

## **Consumer education**

1.36 I note the establishment of the United Kingdom's EV Experience Centre and the EV Discovery Centre in Toronto, Canada. Such centres provide an excellent opportunity for consumers to experience, and become familiar with the benefits of, EVs. I support the proposal by the Australian Industrial Transformation Institute, Flinders University, for a pilot EV experience centre, or 'Future Mobility Centre', at Tonsley in South Australia.

### **Recommendation 13**

**1.37 The Australian Government work with Flinders University and automotive and energy industry partners to establish a pilot Future Mobility Centre (FMC) at Tonsley, South Australia.**

**Senator Tim Storer  
Chair**