31st October 2022

AfMA Submission on the National Electric Vehicle Strategy consultation paper – September 2022

The Australasian Fleet Management Association (AfMA) welcomes the opportunity to provide feedback on the Commonwealth's National Electric Vehicle Strategy consultation paper.

About AfMA

AfMA is a member based not-for-profit and the peak industry body for fleet management in Australia, New Zealand and South East Asia. Our member organisations control over 550,000 vehicle assets and represent most industry segments and various levels of government.

AfMA is completely self-funded and generates income though memberships, sponsorships and event hosting. AfMA is truly independent and technology agnostic, and therefore able to link people and knowledge to create outcomes.

AfMA provides a range of educational solutions across the fleet and automotive industries. From hosting face to face & virtual Professional Development Forums, hosting an annual Personal Development Series that helps people become the best version of themselves, facilitating industry awards for Fleet Manager of the Year, Fleet Safety and Fleet Environment, accrediting salespeople to understand their and their customers obligations in relation to safety in the mobile workplace, deliver online courses for fleet professionals, suppliers and drivers, facilitate knowledge transfer through our annual Australasian Fleet Conference & Exhibition and host a Diploma of Leadership and Management (contextualised for the fleet and automotive industries) facilitated by Swinburne University. We also work with some vehicle manufacturers to develop educational programs for their franchised automotive dealer network.

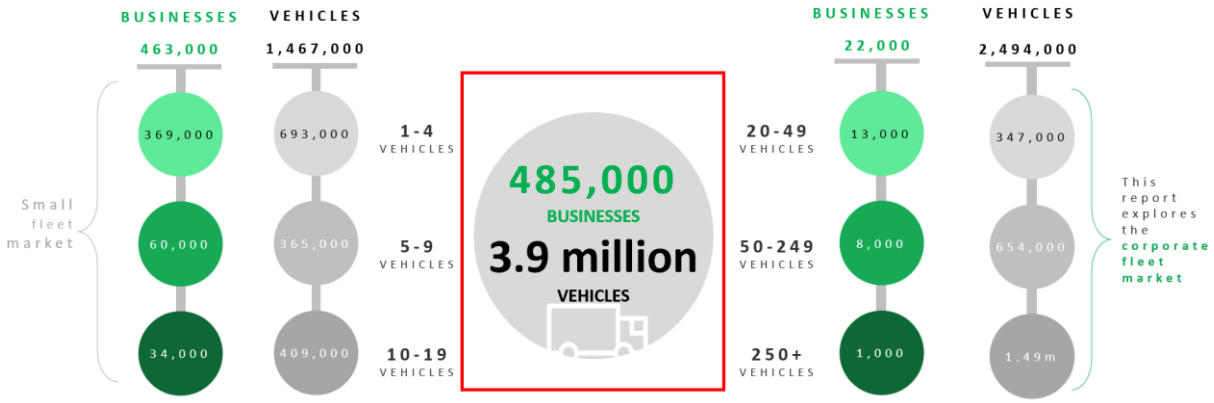
Introduction

Over forty percent of all new vehicle sales are purchased by business with an estimated one thousand organisations controlling around one and a half million vehicles. Organisations with large fleets amplify outcomes and are important stakeholders for increasing take up of electric vehicles and creation of a second hand market for EV's.

AfMA produced an EVs in Business Fleets report in 2020 which included responses from 177 organisations representing over 67,000 vehicles, the largest report of its kind at the time. Thanks to the support of NSW DPIE and AGL, AfMA was able to make this forty-five-page report freely available. Since release, the report has been downloaded over 500 times and informed all levels of government, suppliers and organisations who own or manage a fleet of vehicles. Two key takeaways from the report relevant to this consultation paper, include the diversity of vehicle assets and 49% of an organisations fleet is home garaged.

Every two years AfMA works with ACA Research to take the pulse of organisations who own or manage a fleet of vehicles. The eighty plus page 2022 Corporate Fleet Insights report was released in June this year and estimates there are 485,000 organisations with a fleet of more than 2 vehicles who control 3.9 million vehicles, refer table 1.

Table 1



The size of an organisations fleet is important. Size provides insight into the likely intelligence within the business around fleet management of their mobile workplace, frames their potential motivations for transitioning to zero emissions vehicles, suggests their capacity to adopt new technology and indicates who messaging should be targeted to.

Survey responses for the 2022 Corporate Fleet Insights report enabled creation of multiple speciality reports including an Australian Fleet Electric Vehicle Insights Report. Key takeaways include: -

1. Current EV Landscape – EV adoption growing, but hybrids still leading as an interim technology while fleets wait for fit-for-purpose alternatives.
2. EV Attitudes – Significant growth expected by 2030, with fleets expecting EVs to offer a credible alternative to Internal Combustion.
3. Purchase Intentions – Fleets accelerating purchasing activity as electrification increasingly becomes a key priority to drive business outcomes.
4. Implementation Planning – More work needed to prepare for broader EV needs (e.g. infrastructure, reimbursement, home garaging, etc).

In 2021 AfMA participated in a research project "Business Fleets and EVs: Taxation Changes to Support Home Charging from the Grid, and Affordability". The research was completed by Griffith and Monash universities with support from: -

- Government of Victoria (Department of Industry, Science, Energy and Resources).
- Government of NSW (Department of Planning, Industry and Environment).
- Government of South Australia (Department for Energy and Mining).
- AGL Energy Ltd, and
- Australasian Fleet Management Association.

AfMA was instrumental in uniting the supporting parties, informing the researchers on industry norms and creation of a focus group to facilitate individual interviews with organisations.

This project investigated how tax changes can accelerate the uptake of battery EVs within business fleets by encouraging home charging. The final report was released in 2022 and recommended 17 short-term and long-term tax changes that can accelerate the uptake of business fleet EVs and encourage home charging. The recommended tax changes are outlined on page 11 to 13 of the report accessed from the below link.
https://www.racefor2030.com.au/fast-track-reports/

In 2017, AfMA made submissions to the previous governments Ministerial Forum on Vehicle Emissions relating to:

- Improving the Efficiency of New Light Vehicles – Draft Regulation Impact Statement.
- Vehicle Emission Standards for Cleaner Air - Draft Regulation Impact Statement.
- Better Fuel for Cleaner Air – Discussion Paper.

The issues raised in AfMA's submission are as important today as they were then. AfMA believe it's essential to combine all elements (fuel efficiency standards/CO2 regulations, vehicle emission standards/Euro 6 and new fuel quality standards) into one single cost-benefit analysis to ensure an effective roadmap can be designed to not only increase the supply of EV's but also reduce market shocks on fuel pricing, increase vehicle model availability for fuel efficient ICE vehicles and move towards greater fuel security.

Reference in this document to EVs includes battery electric vehicles and hydrogen fuel cell electric vehicles and is sometimes expressed collectively as ZEVs.

EV's and Taxation

The Government's Electric Car Discount Bill is designed to remove import tariffs and fringe benefits tax (FBT) on certain EVs and was introduced to parliament in July 2022. The draft legislation contains two issues likely to prevent informed organisations from replacing their internal combustion engines (ICE) with zero emission vehicles (ZEVs).

The first issue is the Review Period, the draft legislation notes that the policy is to be reviewed after three years based on the national take-up of ZEVs at that time. This review period may be problematic if the government chooses to remove the FBT exemption or alter how FBT is calculated on previously exempt vehicles. Organisations need certainty; hence a grandfathering amendment must be made to the draft bill, organisations will not replace an ICE vehicle with a ZEV if the FBT exemption could be removed after 30th June 2025 on existing vehicles.

The second issue is the Reportable Fringe Benefits Amount (RFBA) treatment of exempt ZEVs. The draft legislation requires employers to calculate RFBAs as if the exemption was not available. This means employees will receive an RFBA which will result in an adjusted taxable income that will be higher than it would have been assuming the capital cost of the ZEV is higher than the ICE vehicle its replacing.

Whilst he RFBA is not taxable, it's considered in determining an employee's eligibility for certain government benefits and concessions. This includes but is not limited to: -

1. Determining eligibility for family assistance payments, including
    - Family Tax Benefit Part A and Part B.
    - Child Care Subsidy (from 2 July 2018).
    - Child Care Benefit for approved care (prior to 2 July 2018).
    - Parental Leave Pay.
    - Dad and Partner Pay.
2. Working out child support obligations.
3. Calculating liability for the Medicare levy surcharge.
4. Calculating child's adjusted taxable income to determine whether they are considered a dependant for Medicare levy purposes.
5. Determining entitlement to the private health insurance rebate.
6. Determining if liable for Division 293 tax for superannuation contributions.
7. Determining eligibility for the government co-contribution for personal super co-contributions you made.

8. Working out the amount the driver must repay against their debt for
    - Higher Education Loan Program (HELP).
    - Vocational Education and Training Student Loan (VETSL).
    - Student Financial Supplement Scheme (SFSS).
    - Student Start-up Loan (SSL).
    - ABSTUDY Student Start-up Loan (ABSTUDY SSL).
    - Trade Support Loan (TSL).

The proposed RFBA will impact employer and employee relationships where tool of trade vehicles with existing private usage rights are transitioned to ZEVs, whilst salary packaging administrators will need to alter complex systems to provide differing reports for ICE vehicles where the FBT cost aligns with the normal RFBA treatment and ZEVs which will require employers to record an RFBA despite the FBT exemption.

AfMA urges the Government to revise the draft bill to ensure it achieves its objective of encouraging rapid increase of demand for EVs.

As noted in our EVs in Business Fleet report, 49% of fleet vehicles are home garaged. This gives rise to two issues for businesses. The cost and associated FBT treatment of home charging stations and the reimbursement of electricity usage to charge the work vehicle at home.

Smart home charging stations should be eligible for instant write-off and should not attract FBT as they assist in easing congestion on the electricity grid.

Smart charges allow business to understand the electricity usage to charge a work vehicle at home however it's an administration burden to calculate the usage values with the applicable electricity supply cost (there are many difference electricity cost tariffs across Australia) and reimburse this expense through an employee's weekly wage payment.

The administrative cost to manage the reimbursement may exceed the value of the reimbursement. On average a work vehicle travels 15,000 kilometres per year or 289km per week. The average cost of electricity across Australia is about $0.25 per kilowatt-hour (kWh) and it takes about 18 kWh of electricity to travel 100km in an EV. Based on these assumptions the cost to charge an EV is (18kWh x $0.25) $4.50/100km or ($4.50 x 2.89) $13.00 per week.

AfMA believe the reimbursement of electricity usage to charge a work ZEV at home should be treated similarly to the Australian Tax Office's cents per kilometre for mileage reimbursement. The rate should cover the cost of charging an employee's vehicle at home and should be a non-taxable allowance for the driver.

Responses to NEVS Discussion Paper

1. *Do you agree with the objectives, and do you think they will achieve our proposed goals? Are there other objectives we should consider?*
    - AfMA agrees the three stated objectives:
        - Encourage rapid increase in demand for EVs.
        - Increase supply of affordable and accessible EVs to meet demand across all segments.
        - Establish the systems and infrastructure to enable the rapid uptake of EVs.
    - The Electric Car Discount Bill is a significant step towards its objective to encourage rapid increase in demand although we believe amendments are required to stave off unintended consequences as mentioned previously in this submission.
    - Establishing an ambitious fuel efficiency standard in conjunction with a vehicle emission standard/Euro 6 is the quickest way to achieve its second objective of increasing supply of affordable

and accessible EVs, noting emissions standards will drive the availability of low emission vehicles during transition.

- There isn't an objective that coincides with the goal to increase local manufacture. Therefore, a fourth goal should be added to make Australia an EV superpower on the world stage by investing domestically across the EV value chain.

2. *What are the implications if other countries accelerate EV uptake faster than Australia?*
   - The global demand for EVs currently outstrips supply with many countries driving internal demand through incentives and clear policies whilst EV manufacturers choose to distribute their vehicles where the best economic outcomes can be achieved, i.e. through profit or avoidance of fines and penalties.
   - Australia is already behind most other countries with adoption of EVs. Despite the best endeavours of state and territory governments to build demand by offering financial and non-financial benefits, there is still limited fit for purpose EV's available in our market. Falling further behind other countries will prevent Australia from achieving its emissions reduction target of 43% on 2005 levels by 2030 and reaching net zero emissions by 2050.

3. *What are suitable indicators to measure if we are on track to achieve our goals and objectives?*
   - AfMA supports the targets recommended by the Electric Vehicle Council (as restated below) assuming hydrogen fuel cell electric vehicles (FCEV) are included in the targets.
   - Importantly, careful consideration needs to be given to ingress and egress of charge stations on roadways.
   - Support of domestic manufacturing targets assume these organisations will be globally competitive once start up support is removed.

   Supply:
   - At least 100 electric car (light vehicle) models available by 2025.
   - An average fuel efficiency target of less than 60 grams of CO2 per kilometre for new light vehicles by 2030 (NEDC test cycle).

   Demand:
   - Target of 1 million electric cars (light vehicles) in the Australia fleet by 2027.
   - At least 60% of all new car (light vehicle) sales being EVs by 2030.
   - 30% of new truck and bus sales being EVs by 2030 - where fit-for-purpose options are available.

   Infrastructure:
   - Multi-bay charging stations every approximately 70 kilometres along arterial roads, and 5 kilometres in urban areas, with consideration for providing access to electric cars, buses, trucks and other EVs; noting this is a visionary target with the ambition for EV drivers to never need to drive more than around 70 kilometres between fast-charging sites (or around 5 km in urban areas); as opposed to strictly having a multi-bay fast-charging location at these specific intervals on every road; this aligns with Europe targeting fast chargers every 60 km.
   - Other charging metrics may also deserve consideration e.g. number of public chargers: number of EVs, or kW of public charging power: number of EVs.

   Industry Development:
   - At least one domestic manufacturer of EVs (car, bus and/or truck) using Australian-made batteries by 2030.
   - 25% of all new vehicles domestically manufactured/assembled by 2040.

4. *Are there other measures by governments and industry that could increase affordability and accessibility of EVs to help drive demand?*
    - AfMA supports the Government's Powering Australia plan which includes making electric cars cheaper through the Electric Car Discount Bill. The Bill includes an exemption for certain EVs from the 5% import tariff and fringe benefits tax, although AfMA believes some amendments are necessary as outlined earlier in this submission.
    - Other measures to be introduced are:
        - Removal of Luxury Car Tax on all ZEVs to reduce the upfront cost and ultimately the vehicles second hand value.
        - Support the uptake of EVs in rental fleets by enabling charging infrastructure at airports as rental fleets provide Australians with the opportunity to experience an EV on a short term basis, thereby creating demand.
        - Work with all states and territories to align stamp duty and vehicle registration benefits thereby removing the complexity for organisations operating national fleets.
        - Work with all states and territories to develop an incentive campaign for licensed driver schools and trainers to transition to EVs so learner drivers can be introduced to EV technology at a young age.
        - Agreed incentives to bridge the gap between the purchase price of ICE vehicles and EVs could be managed as a residual guarantee. Where residual values are stronger than expected the cost of the incentive to government is reduced and where it isn't the cost of the incentive is simply the agreed incentive at the time the vehicle was purchased. It is not difficult to develop a financial product to facilitate this process.
        - The Government's instant tax write off for vehicles should be limited to ZEVs of any value and incorporate charging infrastructure.
        - All retro fitment of EV infrastructure should get access to the instant tax write off which will assist the challenges faced by organisation who don't own the property they operate their business from.

5. *Over what timeframe should we be incentivising low emission vehicles as we transition to zero emission vehicles?*
    - The timeframe will be determined by the success of the program in achieving the agreed targets. Ultimately incentives should be directed to ZEVs however it's acknowledged many organisations will need a transition plan due to infrastructure barriers or the lack of availability of fit for purpose vehicles.
    - Low emission incentives should be restricted to vehicles with tailpipe emissions of 50 grams of CO2 or less. Further incentives on plug-in hybrid electric vehicles (PHEVs) should be designed to encourage regular charging and /or result in more than 75% of driving using electricity only.

6. *What information could help increase demand and is Government or industry best placed to inform Australians about EVs?*
    - The Government and industry have a role to play in educating drivers and their organisations about EV technology and infrastructure.
    - Today, the only source of information about new vehicle sales (VFACTS) comes from the Federal Chamber of Automotive Industry (FCAI) which represents most of the vehicle manufacturers distributing vehicles in Australia. Until 2022, Tesla wasn't a member of the FCAI meaning their EV sales were not recorded in the VFACTS data making it difficult to understand the total number of EVs sold each year.

- AfMA believe the Government should produce independent new vehicle sales data to ensure all new vehicle sales are included rather than just member organisations of the FCAI.
- AfMA applauds the Government's decision to support the Australian Automotive Associations (AAA's) 'real-world' test program. Evidence has shown many vehicles fail to deliver the fuel consumption reported for that vehicle. This test program will provide transparent information allowing all drivers and organisations to make informed decisions about the vehicles they own or are about to purchase.
- The Government should also develop educational campaigns about EV's, infrastructure and myth busting to educate drivers. The best way to educate drivers is to let them experience driving an EV. Once a driver experiences and EV they start to seek out knowledge about EVs rather than having information pushed at them.
- Whilst public campaigns are necessary, it's also possible to develop online course(s) to be hosted on a learning management system. This allows the host to understand who has enrolled and completed the course(s) whilst also providing an opportunity to test the knowledge the learner has gained through the course. AfMA has developed several online courses and is currently developing a range of driver safety courses that will be given to organisations to host of their own learning management system thereby saving those organisations tens of thousands of dollars as these courses typically cost between $30,000 and $70,000 each to create. This process reduces duplication and waste and is an effective way to educate all employees of an organisation.
- AfMA continues to be a trusted business advisor for the fleet and automotive industry. We create and distributes articles and educational material to over 5,000 contacts through our weekly news alert and bi-monthly e-magazine *FleetDrive*. These contacts work in the fleet and automotive sectors and have influence over millions of vehicles.
- As a trusted business advisor, AfMA links people and knowledge to create outcomes; for several years AfMA has promoted electric vehicle technology at its annual Australasian Fleet Conference & Exhibition which is the largest gathering of fleet industry professionals in the southern hemisphere.
- The conference delivers educational sessions whilst the exhibition provides OEM's an opportunity to showcase their vehicles, associated products and or services.
- The 2022 conference included the following educational sessions:
  - Meet Some of Australia's Newest Vehicles.
  - Developing Strategic Solutions for Net Zero Emissions.
  - Accessing Future Fuels Fund for Infrastructure and NSW EV Fleet Incentives.
  - Using Technology to Create a Safer, Smarter & Sustainable Fleet.
  - Hydrogen: Hope or Hype?
  - Transport Options for Your Net Zero Emissions Journey.
  - EV Charging Infrastructure: Important Considerations for Choosing, Installing and Managing.
  - Will My EV Catch on Fire.
  - Total Cost of Ownership Parity of EVs with Internal Combustion Engine Vehicles – When and How?
- AfMA has hosted independent EV drive days whilst also working with the Clean Energy Finance Corporation & others to host EV drive days is VIC, NSW, QLD & WA.

7. *Are vehicle fuel efficiency standards an effective mechanism to reduce passenger and light commercial fleet emissions?*
   - AfMA believe it's essential to combine all elements (fuel efficiency standards/CO2 regulations, vehicle emission standards/Euro 6 and new fuel quality standards) into one single cost-benefit analysis to ensure an effective roadmap can be designed to not only increase the supply of EV's but also reduce market shocks on fuel pricing, increase vehicle model availability for fuel efficient ICE vehicles and move towards greater fuel security.

- The Australian Senate 2019 Select Committee on Electric Vehicles supported the introduction of fuel efficiency standards informed by those implemented in other developed countries, noting that such standards would provide environmental benefits through greenhouse gas emissions abatement.
- Under previous consideration of fuel efficiency targets, the Government determined that the introduction of stronger standards would result in cost savings of between $10.8 and $27.5 billion by 2040, in concert with a reduction in greenhouse gas emissions between 91 to 231 million tonnes.
- Importantly a fuel efficiency standard must be developed for Australia as our vehicle carpark is very different to Europe and the USA.

8. *Would vehicle fuel efficiency standards incentivise global manufacturers to send EVs and lower emission vehicles to Australia?*
   - Besides Russia, Australia is one of the only major economies without a vehicle fuel efficiency standard.
   - Evidence from Europe and the USA clearly demonstrate a fuel efficiency standard reduces vehicle emissions.
   - A fuel efficiency standard sets a target (ideally annually) for the average emissions rate of new vehicles sold by each manufacturer.
   - This target is progressively reduced over time to encourage the supply of more fuel-efficient vehicles, including electric vehicles.
   - Importantly, a fuel efficiency standard only applies to new vehicles, and does not ban the sale of any particular type of vehicle.
   - Manufacturers that do not meet these targets need to pay a penalty to government. This penalty can be significant, and as such, manufacturers have clearly outlined that they prioritise the supply of fuel-efficient and electric vehicles to those markets that have ambitious fuel efficiency standards to minimise any exposure to these penalties.

9. In addition to vehicle fuel efficiency standards for passenger and light commercial vehicles, would vehicle fuel efficiency standards be an appropriate mechanism to increase the supply of heavy vehicle classes to Australia?
   - Whilst many AfMA members have some heavy vehicles in their fleets, AfMA's expertise and experience is with passenger and light commercial vehicles.
   - In our view a fuel efficiency standard for heavy vehicles classes would take longer to be effective given the longer life cycle of the assets. Businesses generally retain their passenger and light commercial vehicles between 3 to 5 years whilst heavy classes are retained from 10 to 20 years.

10. *What design features should the Government consider in more detail for vehicle fuel efficiency standards, including level of ambition, who they should apply to, commencement date, penalties and enforcement?*
    - AfMA supports AAA's response on "The design of a fuel efficient/CO2 standard" as restated below.

    Standards for CO2 emissions are an effective and responsible market-based mechanism and, in conjunction with noxious emissions standards, can improve the environmental performance of the Australian light vehicle fleet.

    The AAA supports a fuel efficiency/CO2 standard for new light vehicles that is designed for the Australian light vehicle fleet. To avoid potential consequential increases in noxious emissions, this standard must be implemented as a package of measures addressing noxious emissions (Euro 6 standards) and fuel quality.

Australia's mandatory CO2 standard must be:

- designed specifically for the Australian light vehicle fleet.
- introduced at the earliest opportunity with targets specified over a timeframe and in a manner that minimises adverse impacts on vehicle choice and disproportionate costs to consumers.
- flexible, with options available to manufacturers in achieving targets through several mechanisms.
- reviewed regularly during its operation and adjusted if required.

A CO2 standard does not simply place a CO2 emissions limit on each car; rather it limits the permissible emissions from vehicles sold by each vehicle brand and incentivises the sale of low and zero emission vehicles.

The design of CO2 standards is based around preserving choice for consumers and encouraging CO2 emissions reductions across all vehicle segments. As a result, the standards and resulting targets are designed based on the market in which they apply and the vehicles being bought by consumers.

To inform debate and help align stakeholder views and interests, the Government needs an evidence-based approach to determining the below features of a CO2 standard. Once these features are determined, it is then critical that detailed work is undertaken to establish the costs and benefits associated with various targets and timeframe options.

Limit value curves

A CO2 standard for a light vehicle fleet requires each manufacturer to comply with a limit value curve based on a sales-weighted average of their new vehicle sales. The limit curve permits larger vehicles to emit more CO2 than smaller vehicles. It does not require each individual vehicle to comply with the curve, only the manufacturers' sales-weighted average. This allows manufacturers to sell individual vehicles with emissions above the limit curve, provided these are balanced by sales of vehicles below the curve such that the sales-weighted average meets the curve. In Europe, the limit curve is set according to vehicle mass, whereas the US specifies CO2 limits based on the footprint of the vehicle (based on the area between the vehicle's tyres).

Types of vehicles included and how they will be grouped

Limit value curves can be set for the entire light vehicle fleet, or a separate curves for different types of vehicles – for example, passenger and light commercial vehicles. There is also a question of whether SUVs should be grouped with passenger vehicles or a light commercial vehicles for the purpose of a CO2 standard.

Vehicle attributes must be accounted for in designing a CO2 standard. The impact of CO2 targets on what vehicles consumers can buy and what features they have needs to be understood. The costs associated with the value of any lost utility or vehicle attributes need to be quantified.

Understanding vehicle attributes and accounting for those in cost-benefit analyses is critical to understanding the impact of any new CO2 standard.

Determining the CO2 figures

Light vehicle CO2 performance for certification is generally informed by a standardised test cycle conducted in a laboratory. Along with this are mechanisms for rewarding technologies that deliver real-

world benefits that cannot be sufficiently measured in a standard lab test, known as 'off cycle credits' (such as high efficiency air conditioning or lighting systems).

The way in which the lab tests are to be conducted and how off-cycle credits are treated must be clarified before proper consideration can be given to any proposed targets.

Similarly, the exact method by which CO2 figures are determined for compliance needs to be clarified.

In the European Union, each manufacturer is required to meet a specified sales-weighted CO2 limit based on the average mass of new cars sold, with different targets for passenger cars (including SUVs) and light commercial vehicles. In the United States, the fuel consumption requirement is based on the average footprint of vehicles, and has separate requirements for passenger cars and light trucks (including SUVs). In both cases, the CO2 target is designed around the composition of their whole vehicle fleet and is not applicable to another fleet's composition.

Super- credits, eco-innovation, pooling, banking arrangements and phase-in period

Fuel efficiency standards in Europe and the USA have mechanisms to allow vehicle brands to accumulate credits when they achieve CO2 reductions beyond their limit curve obligations, and to trade credits with brands that do not comply with their obligations. Overseas standards also have mechanisms such as allowing the sale of each electric vehicle to be counted as more than one in the sales-weighted average to provide additional incentive for EVs. Tesla has regularly reported revenue from selling carbon trading credits to other brands.

A CO2 standard also requires a phase in period, perhaps as a percentage of the vehicle fleet, gradually increasing each year until 100 per cent of the fleet is covered, or by requiring increasingly stringent targets year on year.

These features all affect the operation of a CO2 standard.

Penalties for non-compliance

The specific quantum of the fines applicable for non-compliance and what the market can bear is needed to inform discussions on commencement timeframes and ambition. The design of a penalty system must provide sufficient incentive to vehicle brands to comply with a CO2 standard.

Consideration of vehicle manufacturer's product plan timelines

An understanding of Australian market product plans by vehicle manufacturers is needed to inform implementation timeframes, ambition levels, and compliance and enforcement. This is to ensure regulatory costs are minimised, which are ultimately passed on to consumers.

11. *What policies and/or industry actions could complement vehicle fuel efficiency standards to help increase supply of EVs to Australia and electrify the Australian fleet?*
    - AfMA believe it's essential to combine all elements (fuel efficiency standards/CO2 regulations, vehicle emission standards/Euro 6 and new fuel quality standards) into one single cost-benefit analysis to ensure an effective roadmap can be designed to increase the supply of EV's.

12. *Do we need different measures to ensure all segments of the road transport sector are able to reduce emissions and, if so, what government and industry measures might well support the uptake of electric bikes, micro-mobility and motorbikes?*

- Many organisations choose not to support micro-mobility due to safety risk. For example, they do not support the use of e-scooters that operate in many of Australia's capital cities however these same organisations encourage employees to ride a bicycle to work as part of their health and wellbeing policy.
- Organisations don't understand the risk profiles of each mobility option and therefore have poorly designed policies.
- There is an opportunity for Government to develop an educational program to educate all Australians around the safety of each mobility option including bicycles, electric bikes, micro-mobility and motorbikes.

13. *How could we best increase the number of affordable second hand EVs?*
    - For the past 2 years the value of second hand cars has been extraordinarily high resulting in organisations making substantial win falls from the sale of their vehicles compared to the vehicles residual/written down value.
    - These win falls provide the perfect opportunity for governments to modify their procurement policies and subsidise the purchase of EVs thereby hastening the transition to zero emission transport for the government agencies they serve and ultimately boost the supply of second hand EVs.
    - One such example is QFleet whose electric vehicle transition strategy is to transition all eligible (mainly passenger and SUVs) vehicles across to electric / zero emission by 30 June 2026. Further, they have targets in place to shorten the replacement cycle of these EVs to 2 years, thereby increasing the number of cars available in the second hand market.
    - The Federal Government and other state and territory governments should follow QFleets leadership. Whilst many states have outsourced their fleet management and residual risk to private enterprise, they likely have profit share arrangements in place with their Fleet Management Organisation.

14. *Should the Government consider ways to increase the supply of second hand EVs independently imported to the Australian market? Could the safety and consumer risks of this approach be mitigated?*
    - AfMA does not support relaxation of existing rules on private vehicle imports (grey imports).
    - Beyond the potential for increased safety, business and consumer protection risks, grey imports have the potential to reduce the value of existing second hand EVs, thereby adding further cost burdens to business and consumers alike.
    - The Governments Electric Car Discount Bill will drive demand for EVs whilst the introduction of a fuel efficiency standard will increase availability/supply of fit for purpose vehicles to Australia.
    - The best way to increase the number of second hand EVs is to accelerate government procurement and replacement cycles.

15. *What actions can governments and industry take to strengthen our competitiveness and innovate across the full lifecycle of the EV value chain?*
    - AfMA supports the view of the Electric Vehicle Council as stated below:
        - Australia is uniquely placed to capitalise on the economic benefits of the transition to EVs thanks to our rich resource base, wealth of experience in mining, highly-educated workforce, national security, and potential to access cheap, renewable energy.
        - The mining and processing of critical minerals and rare earth elements form a key part of the EV value chain, and Australia can meet this demand using ethical and sustainable practices.
        - With strong domestic regulatory settings that seek to ensure responsible and sustainable business practices are followed, Australia is well-placed to assist in supporting global demand for critical minerals throughout the transition, and capitalise on this once in a lifetime economic opportunity.

- Australia should not only benefit from the increased extraction of these resources, but should aim to increase the on-shoring of valued-added components of the EV value chain.
- In the first instance, Australia should look to onshore the processing and refining of critical minerals for battery and EV production.
- In tandem, Australia should be looking to secure investment in the manufacturing of batteries, EV components, charging infrastructure and electric vehicles. This downstream, local demand for value added products will reduce the risk for investment in the upstream segments of the EV value chain.
- Australia should look to other countries, such as Thailand and the United States, which are providing significant fiscal incentives, tax breaks, operational certainty, and guaranteed demand to attract and secure international investment in their domestic EV value chain.
- A necessary prerequisite to Australia capitalising on this once in a lifetime economic opportunity is establishing a strong, domestic EV market to demonstrate significant local demand for products from the value chain, and in turn, further increase the attractiveness of investing in our market.
- The Federal Government also has a key role to play in strengthening trade partnerships in our region to secure investment and off-take partners for Australian resources and products.

16. *How can we expand our existing domestic heavy vehicle manufacturing and assembly capability?*

- AfMA supports the view of the Electric Vehicle Council (EVC) as stated below:
  - Australia should be proud of its strong heavy vehicle manufacturing industry, and look to actively support its transition to a zero emission, electric future.
  - In the first instance, changes to Australian Design Rules should be made to increase the width limit of heavy vehicles to 2.55m minimum, and provide at least a 1 tonne mass concession. This would increase the range of chassis and vehicles that could be imported to Australia to help accelerate local manufacturing and assembly. These changes are urgently required to increase market volumes, and as a consequence, reduce costs.
  - While vehicle width and mass limits are being amended in the Australian Design Rules, all Australian governments should enable the fast-tracking of temporary exemptions from these rules so that companies can start to sell and deploy larger electric trucks today, providing the necessary and urgent kick start required for decarbonising the road freight sector.
  - It is critical that international investment is secured to build out Australia's domestic EV value chain (as outlined in Question 15) to reduce the cost of input components, principally batteries.
  - The Federal Government should also fund a low/zero interest loan program (and/or other incentives) to support the adoption of electric heavy vehicles (trucks and buses). These temporary incentive programs would accelerate local demand, and spur increased investment in domestic heavy vehicle manufacturing and assembly.
  - Tax breaks and incentives for investment in local heavy vehicle manufacturing and assembly should also be explored to help scale local production over the coming decade.

17. *Is it viable to extend Australian domestic manufacturing and assembly capability to other vehicle classes?*

- AfMA generally supports the view of the Electric Vehicle Council (EVC) as stated below except support for local EV manufacturing should be limited to vehicles that meet an ANCAP 5 star rating and local EV manufacturer must be globally competitive beyond start up assistance.
  - Australia already has a strong local heavy vehicle manufacturing industry, but also has the potential to reintroduce domestic light vehicle manufacturing centered around EVs.
  - Looking at other nations that have secured, or are actively seeking investment in domestic EV manufacturing, it is clear the Federal Government, in cooperation with State and Territory Governments, will need to offer incentives to secure international investment in local EV manufacturing.

- Thailand, which already has a well-established vehicle manufacturing industry, is now offering 3 to 11 year tax holidays to companies that invest in EV production. This support has so far resulted in over 20 approved electric car programs, from 17 different companies, which are expected to contribute to the nation's target production capacity of 1 million locally-produced EVs by the end of 2023.
- The Federal Government can solidify the business case for investment in local EV manufacturing by accelerating domestic demand and locking in the domestic off-take of vehicles, and components. In the first instance this can be via guaranteed government fleet orders, and then more broadly by providing temporary incentives to support Australian households and businesses to purchase Australian-manufactured EVs.
- Note: consumer purchase incentives should be available to all vehicles, however, once domestic manufacturing capabilities are established, a bonus incentive could be introduced for vehicles that use local content, similar to the US's new tax credit starting in 2023.

18. *Are there other proposals that could help drive demand for EVs and provide a revenue source to help fund road infrastructure?*
    - The Government will need to develop a nationally consistent road pricing scheme for both light and heavy vehicles, and for all fuel types, that does not unfairly disadvantage regional and remote Australians and replaces any road pricing scheme implemented and or proposed by state and territory governments.
    - Evidence from a trial completed by Transurban several years ago suggests road user charges (RUC) can be used to influence travel start times (travel outside of peak) and therefore assist with congestion challenges. Further trials will be required as the Transurban trial was conducted with consumers who have travel flexibility whereas that's unlikely to be the case for all business travel.
    - The move from a fuel excise to a road user charge (RUC) must happen at some point in time. AfMA's view is the Government should immediately start to educate business and consumers that the excise included in their fuel cost today is a RUC. Fuel excise is $0.46 cents per litre meaning if a vehicle uses 7 litres to travel 100km, the RUC is (7 x $0.46 = $3.22 / 100km) = $0.0322 cents per km.
    - All fuel providers should be compelled to print the RUC collected on every fuel receipt i.e. 40 litres of fuel equals (40 x $0.46) $18.40 of RUC.
    - Unlike revenue collected from fuel excise, all revenue collected from a RUC should be spent on road infrastructure with transparent reporting. The trucking industry is a large contributor of fuel excise, yet truck stops and associated infrastructure are not prioritised.

19. *What more needs to be done nationally to ensure we deliver a nationally comprehensive framework for EVs?*
    - Australia has several projects underway or recently completed investigating EV recharging orchestration and demand management. The consultation paper also cites research trailing smart recharging, where rechargers can respond to signals from the utility provider, as well as vehicle-to-grid technology.
    - AfMA supports such research, however notes that smart charging technology is available to EV owners now, which offers network benefits by supporting the orchestration and management of home EV recharging, but at an increased cost to consumers and businesses with fleets. It is important to note that the primary benefit of such technology is to the network in managing electricity demand, rather than a direct benefit to the individual consumer/business fleets.
    - AfMA strongly believes the Government has a role to support consumers and business fleets to adopt technology that will ease congestion on the electricity grid. Financial incentives should be offered to adopt innovations, such as smart EV charging technology that provides other network benefits.

20. *How can we best make sure all Australians get access to the opportunities and benefits from the transition?*

- AfMA generally supports the view of the Electric Vehicle Council (EVC) as stated below:
  - Introduce a robust and ambitious fuel efficiency standard to maximise the supply of EV models to the Australian market - as soon as practicable.
  - Act quickly, and support acceleration now to ensure a viable second-hand EV market is established in the next 2-4 years, which in turn will provide EV options for all Australia households and businesses.
  - Explore the opportunity to introduce targeted programs that provide access to shared/leased EVs for low-income households, as well as support broader measures to reduce the cost of transport for these households, including subsidised Mobility-as-a-Service subscriptions.
  - Support industry development to significantly expand the Australian EV value chain, attract international and local investment, and be on a trajectory to be building EVs locally, with locally made batteries, using Australian mined and processed materials, by 2030 (at the latest), while supporting the creation of thousands of new, local jobs (enabled through appropriated skills development and training - as previously outlined).
  - Lead coordination of national EV policy in cooperation with state and territory governments, seeking national consistency in program eligibility rules, and approaches - as far as possible. Undertake regular, annual reviews of the domestic EV market, tracking progress against targets/ metrics, and adjusting policy as required in response to these reviews. See an example annual EV policy progress report from the State Government British Columbia, Canada here: https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/electricity-alternative-energy/transportation/2021_zero_emission_vehicle_update_v2.pdf