
FCAI response to: Inquiry into the Transition to Electric Vehicles


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The Federal Chamber of Automotive Industries ('FCAI') welcomes the opportunity to provide this submission to the Standing Committee on Climate Change, Energy, Environment and Water ('the Committee') regarding the Inquiry into the Transition to Electric Vehicles (EV).

As the Peak Body representing automotive manufacturers, importers and distributors within Australia the FCAI is uniquely placed to understand the complexities which Australians face when looking at the orderly transition to low and zero emission technologies which our members provide to the market.

Australia's demography and geography, coupled with it being a small and distant right-hand-drive market, about one per cent of total global sales, sets it apart from the rest of the world, making the many comparisons with Europe, China or America difficult and potentially meaningless.

Disparate population centres congregated around Australia's coastline further complicate the roll-out of a charging network, especially to regional and remote areas. To get more EV's and hybrids on the road, we need more charging stations across our suburbs, regions and rural areas.

With a membership base¹ which spans brands engaged in the sale of 99 per cent of all new vehicles sold in Australia, our members supply a range of powertrain technologies including Battery Electric Vehicles (BEV), Plug-In Hybrid EV's (PHEV), Hybrid's and Fuel Cell Electric Vehicles.

Our objective continues to support Government, our members, and the Australian consumer to access vehicles which can reduce overall transport related emissions, while continuing to meet consumers' needs at affordable prices.

In providing these inputs to the Committee, they are not designed to be an exhaustive representation of the factors which will be important to consider in the transition, but rather some of the largest and most pressing matters.

We will welcome an opportunity to speak with the Committee, and individual members, at their convenience.

Market Observations

As a relatively developing market in the space of EV's Australia has seen strong growth in recent years as technology development and new product has entered the Australian market.

As at March 2024 BEV were 9.5 per cent of new market sales, compared with 6.8 per cent in March 2023. Hybrids and Plug-In Hybrid EV's amounted for an additional 14 per cent of new vehicle sales in the same period, up from 6 per cent in the prior year giving electrified vehicles a total new market share 23.5 per cent in March 2024².

This is a significant growth trajectory for technologies which are still developing at rapid rates across the industry as more brands bring product to market.

This is also indicative of consumers' willingness, and capacity, to embrace technologies which in some segments comes at a price premium to existing internal combustion engines.

This growth in sales in recent years, which saw EV's account for 7.2 per cent of new vehicle sales in 2023³, compared to 3.2 per cent in 2022⁴, has largely been driven without widescale policy intervention outside of incentives at state and territory levels and some select Federal policy to date such as the Fringe Benefits Tax exemption.

The challenge is accepting the diverse nature of the Australian fleet, and Australians preferences when purchasing new vehicles. More specifically, the difficulties which currently exist to transitioning large SUV, 4WD and LCV segment vehicles to EV's without compromising on performance or affordability. Right now, these vehicles make up about one third of all new vehicle sales in Australia.

At this point in technology development cycles, there is not a comparable electric vehicle model available in each vehicle segment which is manufactured in high volume, while being available to Australians at a competitive price.

The impending commencement of the New Vehicle Efficiency Standard, which is currently before the Parliament, will undoubtedly be a significant factor influencing the transition towards EV's.

The FCAI has long championed the development and implementation of a Fuel Efficiency Scheme which supports the reduction in tailpipe emissions, and improves low/no emission vehicles, and we commend the Government on its work in this space.

When assessing the opportunities which consumers can experience with EV's, from reduced emissions through to potential operating cost savings, it is important to remain cognisant of the broader environment which policy makers need to address to ensure that consumers are not left behind or provided with a false promise of service.

These considerations include charging infrastructure, ancillary grid infrastructure requirements in generation and distribution, taxation revenue for infrastructure investment, as well as the development of new industries to support these technologies.

In addition to these issues, it is important to consider the whole of life costs related to EV ownership.

Recent analysis, such as those conducted by the Commonwealth Bank in response to the NVES, show that while there is the potential for consumers to access savings in operation costs over the life of the vehicle, in most scenarios the Total Cost of Ownership for EV's compared to their ICE equivalents can be higher.

This is predominantly driven by the higher upfront costs associated with the vehicle, higher insurance costs associated with operation and higher depreciation which impacts on the residual value.⁵

Charging Infrastructure

Charging infrastructure to support the deployment of large EV fleets will continue to be a pivotal requirement going forward.

As market penetration grows there will be a continual need for renewed development in public and private charging infrastructure to ensure that consumers are still able to access the same quality of service, and supply, when required.

International experience indicates that a majority of charging will occur in people's homes, which is an attractive proposition for Australian consumers given the availability of off-street parking.

Revised building codes across the country that support the installation of recharging infrastructure in new builds is a positive step. However, issues are emerging regarding the supply of infrastructure to existing high density dwellings such as apartments and body corporates concerns over battery fires, even if the risk is extremely low.

It will be public charging infrastructure in metropolitan and regional/remote areas which requires critical investment from both Government and other participants to continue to provide the public with confidence to embrace the new technology.

Market assessments on numbers vary, however a recent Deloitte assessment suggested that by 2033 there would need to be a minimum of 31,500 public chargers available to support the national fleet⁶.

Grid Development

While not a direct business focus of the FCAI or our members, development of generation and distribution assets, in support of other technologies like residential solar, will be critical to support the supply of energy required for large scale EV penetration.

The Australian Energy Market Operator, in its 2023 Inputs, Assumptions and Scenario's Report identified that BEV and PHEV consumption could grow to 20 TWh under their Progressive Change scenario, and more than 40 TWh under their Step Change Scenario by 2039-40⁷.

These models represent exponential growth on current usage scenarios, and in the context of Australia's transition to EV's will require appropriate investment to support a continued quality of living for Australian Consumers.

Taxation (Road User Charge)

Revenue generation for the utilisation of roads has historically been linked to energy consumption, and through that loosely the distance travelled by vehicles, in the form of fuel excise.

Fuel excise, currently set at 49.6 cents per litre, is levied on importers and distributors of petroleum products and then passed through to the price which consumers pay at the pump. While a comparatively simple scheme, it typically raises more than \$21.4 billion in gross revenue per annum for the Federal Government⁸. As an aside, this revenue is not entirely hypothecated to transportation or recharging infrastructure expenditure.

However, fuel excise as a means for collecting revenue will decrease in coming decades as the number of EV's on the road grows, which will leave a gap in Government budgets.

The FCAI is firmly of the view that there needs to be consideration given to the development of a scheme which could replace fuel excise, providing a technology agnostic approach to road charging.

The FCAI supports the development of a Road User Charge (RUC) to capture light vehicle operations in Australia provided it aligned with several basic design elements:

- **It is technology agnostic, applying to all light vehicles** – Any new scheme should not favour or penalise particular technologies or energy sources to further distort free market operations. It should be fair and equitable to acknowledge the fact that all Australians utilise roads in their day to day life, and the transition towards EV's will take time.
- **It should be based on distance travelled** – Over time there could be opportunities to explore the role of vehicle mass, location of travel and time of travel as has been done in other markets as a congestion charge, but in the first instance it should concentrate on distance travelled.
- **Operations should be simple** – Technology is advancing rapidly, but we acknowledge that the Australian fleet is a broad range of technologies from Heritage Vehicles through to modern EV's. This should be incorporated to ensure that regulatory burden is not too high to consumers.
- **It should replace fuel excise** – Linked to our first design element, any RUC should look to replace fuel excise, and ideally other vehicle and licence related fees for efficiency. It is integral with the development of any new program like this to ensure that it is not targeting a particular segment of the population or technology source.

Ideally, any scheme would be comprehensively developed at a national level, with broad input from the states and territories, and we commend the National Cabinet of Treasurers for commencing that work.

Supply Conditions

As a relatively small, highly developed, right-hand drive market, Australia is unique within its geographic region in terms of vehicle supply.

The past several years has seen constrained supply of all vehicles given supply chain impacts driven primarily by COVID-19, as well as other defined events such as semi-conductor shortages.

These have largely abated with most brands in a position to supply vehicle models within reasonable and expected timeframes depending on consumers preference on model, trim and in many instances colour.

This situation stands for EVs where there is large and unconstrained supply of vehicles, and models providing consumer with access to options as they want.

Moreover, supply has been strong, with BEV sales sitting at 9.5 per cent of new car sales for March 2024.

As individual brands continue to develop and announce new models, we foresee that there will be continued opportunities for them to be supplied into the Australian market where they meet Australian consumers needs.

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