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Department of Infrastructure, Transport, Regional Development,  
Communications and the Arts

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## **Re: New Vehicle Efficiency Standards**

The Australian Chamber of Commerce and Industry (ACCI) appreciates the opportunity to provide comment on the proposed Australian New Vehicle Efficiency Standard (NVES).

ACCI is Australia's largest and most representative business association. Our members are all state and territory chambers of commerce, which in turn have 430 local chambers as members, as well as over 70 national industry associations. Together, we represent Australian businesses of all shapes and sizes, across all sectors of the economy, and from every corner of our country.

With transport emissions representing around 21 per cent of Australia total emissions and passenger and light commercial vehicles contributing 60 per cent of this, ACCI recognises that an Australian NVES can make a significant contribution in reducing emissions from the automotive sector and in achieving Australia's interim emissions reduction targets, as we work to achieve net-zero by 2050.

ACCI is not opposed to the introduction of the NVES. However, how the NVES is implemented is important.

In principle, the government should be pursuing a "least cost, economy wide" approach to carbon abatement. The proposed NVES does not appear to represent the lowest cost option for improving the efficiency of vehicles. It may lead to improvement in the fuel efficiency of some vehicles, thus lowering operating costs. However, it is the full vehicle lifecycle that should be assessed, not just operation costs.

The analysis presented in the consultation paper is incomplete and inadequate. It is focused solely on operational costs. At best, it is a partial analysis of the net benefit of electric vehicles relative to an internal combustion engine vehicle. Further, the analysis is a very simplistic analysis of operational costs, as it does not consider all factors associated with the operation of a vehicle. Before proceeding with the NVES, the Australian government must undertake more thorough benefit-cost analysis of the vehicle full lifecycle.

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Consideration also needs to be given to the heavy penalties applied for failure to comply with the strict efficiency standards. These are likely to substantially increase the purchase price of many makes of vehicles currently on Australian roads, particularly the current top selling models (utes and SUVs). They are also likely to lead to inequitable outcomes, as it will impact on regional Australians, trades people and emergency services more than other segments of the economy. There are currently no low emissions alternatives to 4-wheel drives, utes and other light commercial vehicles in the Australian market.

The following outlines ACCI's concerns in the implementation of the NVES as proposed in the consultation paper.

### The cost to consumers

Australia has one of the most diverse automotive sectors in the world, with a wide range of makes and models available to consumers. Nevertheless, Australian consumers pay much higher prices for vehicles than consumers in Europe, the United States and most other developed countries. Any new policies or standards must have regard for the affordability of vehicles, while maintaining the diversity of makes and models.

The proposed NVES adopts a heavy-handed regulatory approach that is likely to substantially increase the cost of vehicles to Australian consumers. It applies significant penalties to the vehicle manufacturer, which will be passed on to the domestic automotive dealer and ultimately to the consumer, with sharp increases in the retail price of a number of vehicles.

The penalties that are being proposed are significant and will add substantially to the cost of many new vehicles. At 2.3 kg of CO<sub>2</sub> per litre of fuel burnt, every 1 l/100km difference in fuel efficiency at the proposed penalty of \$100 per g/km will add \$2,300 to the cost of a vehicle imported into Australia. These costs will increase when taxes, retail margins and other charges are applied.

### The targets

The consultation paper makes clear the government's preference for the fast start and flexible approach (Option B), which involves a 61 per cent reduction in CO<sub>2</sub> intensity by 2029 for passenger vehicles and 62 per cent reduction for light commercial vehicles. Current average fleet emissions for passenger vehicles (PV) of 141g/km (which equates to an average fuel efficiency of 6 l/100km) will need to reduce to 58 g/km (2.5 l/100km) to meet the 2029 target. For LCVs current average fleet emissions of 199 g/km (8.5 l/100km) will need to reduce to 81 g/km (3.4 l/100km).

There are currently no internal combustion engine (ICE) and very few hybrid vehicles in the market that can achieve the 2029 targets. While some plug-in hybrid electric



vehicles (PHEVs) claim a fuel efficiency around 2.0 l/100km, actual fuel efficiency is more than triple this once the battery is discharged.

The market is not as responsive as the consultation paper would like to believe. These targets and the rate of decline are unrealistic and are unlikely to be achieved without severe pain for vehicle manufacturers, new car dealers and consumers.

Most vehicle models in the Australian market have a production life of 5 years or more. Further, the period from concept to design and then production of a vehicle is over 5 years. It is unrealistic to expect a 60 per cent decline in CO<sub>2</sub> emissions to be achieved in the life of a single production model. It needs to be recognised that the cars that will be sold in the Australian market in 2029 are either already in production or are currently being designed — relying on technology that is available today.

Therefore, the 2029 targets under Option B appear unachievable and can only be expected to result in severe penalties on car manufacturers, which will be passed onto car dealers and consumers, substantially increasing the cost of new vehicles sold in the Australian market.

A more reasonable and achievable rate of reduction in average annual CO<sub>2</sub> intensity for vehicles, particularly light commercial vehicles, must be considered. The target needs to be achievable while still delivering a significant reduction in vehicle emissions over the next five years. It should not adopt a punitive approach that results in an excessive increase in the price of new vehicles for consumers.

### [The Australian automotive landscape](#)

In Australia, the three top selling vehicles are utes (Ford Ranger, Toyota Hilux and Isuzu D-Max), with these three models representing over 15 per cent of total vehicle sales. The proposed NVES will be applied to commercial vehicles, including utes, up to 4.5 tonnes GVM. Applying stringent efficiency standards with harsh penalties will substantially drive up the price of these vehicles.

While utes are classified as light commercial vehicles, which have a slightly higher CO<sub>2</sub> target, more concerning is that the NVES will treat large 4-wheel drives, such as the Toyota Landcruiser, Ford Everest and Isuzu M-UX, as passenger vehicles. Despite having the same chassis and drive-train as their ute siblings, because of their body shape they are classified as passenger vehicles. As a result, these large 4-wheel drives will be required to meet the same low CO<sub>2</sub> emissions targets as the smallest 4-cylinder cars. It will not be possible for them to meet the low emissions targets set for very small vehicles, so the price of these vehicles can be expected to increase dramatically under the new penalties.

It needs to be recognised that utes and 4-wheel drives are essential vehicles for trades people and those who work in agriculture, tourism, utility and emergency



services. They are particularly important in rural and regional Australia where they are driven long distances, often over very rough roads or off-road, and either tow or carry heavy payloads. There are currently no alternative low and zero emissions vehicles (LZEVs) in the Australian market that provide the same performance as utes and large 4-wheel drives. These vehicles are the most reliable and pragmatic tool.

Further, the infrastructure for LZEVs does not exist in regional Australia at present. In metro areas the infrastructure may suffice. However, in regional Australia, there are very few charging stations and other infrastructure to support EVs. Industry experts advise that a proposal to roll out charging stations at 150 km intervals will not be adequate to meet the needs of the many farmers and other key employment sectors in regional Australia.

Range-anxiety and the ability to carry heavy payloads is a key factor holding back the purchase of EVs, particularly in regional Australia. It is inappropriate and unfair to be imposing heavy penalties on utes, large 4-wheel drives and light commercial vehicles until adequate infrastructure is in place and people living in regional Australia feel comfortable that EVs can cover long distances and meet their driving needs.

A practical solution may be to exclude utes and large 4-wheel drives purchased by trades people, regional Australians and emergency services from the aggregate fleet CO<sub>2</sub> emissions reduction target applied to manufacturers.

#### [Aligning with the United States fuel efficiency standard](#)

The consultation paper contends the composition of the United States automotive sector is similar to Australia and recommends that the Australian NVES should aim to align with the United States by 2028. If Australia is to follow this path, then we must wholly adopt the US model, not partial adoption.

The structure of the US fuel efficiency standards is very different from the one that is being proposed for Australia in the consultation paper. The US fuel efficiency standard exempts vehicles weighing the equivalent of 3.6 metric tonnes. This explains the prevalence of utes and larger utility vehicles on American roads, as they are not covered by the US fuel efficiency standards.

If the government wishes to align the NVES with the US fuel efficiency standard, then it should apply the same weight load exemption as the US — 3.6 metric tonnes. This would exempt larger 4-wheel drives and some utes from NVES, ensuring farmers, trades people, utility and emergency services have access to the vehicles needed to support their business and operations.



### Consumer demand

The focus of the NVES is solely on the supply side, with little consideration of consumer demand. There are few incentives to shift consumer demand towards LZEVs.

As noted above, Australians have shown an increasing preference for larger utes and SUVs. It will take time and considerable effort to change these consumer preferences, particularly in regional Australia.

For manufacturers and new car dealers, consumer preference is the core consideration. There is no point importing a LZEV if that is not what consumers are demanding. It will simply remain on the showroom floor unsold, at a high cost to the dealer.

While consumers preference for EVs is growing, with increasing diversity in brands and models and lower prices, it still greatly lags demand for ICE vehicles. Only 7.2 per cent of vehicles sold in Australia in 2023 are solely electric, with hybrids making up a further 8.1 per cent of the market.

There are some tax incentives to drive increased demand for hybrid and EVs, such as exempting EVs from fringe benefit tax (FBT) to encourage employees to purchase an EV as part of their salary package, but the impact has been small. Similarly, applying the luxury car tax on LZEVs at a slightly higher tax-free threshold (16 per cent above that of ICE vehicles) also provides a small benefit, but at \$89,332 the tax-free threshold is still too low. Only a small number of EV models available in the Australian market are priced below this threshold. Further, recent changes to the fuel efficiency at which the higher threshold is applied, down from 7 l/100km to 3.5 l/100km, effectively rules out most hybrid and plug-in hybrids from accessing the higher threshold.

In parallel with the NVES, consideration also needs to be given to measures that change consumer preferences, including direct incentives for the purchase of LZEVs.

### Impact on Australia's new car dealers

There will be winners and losers from the introduction of the NVES. While the NVES heavily favours EV manufacturers and EV automotive dealers, many traditional makes and models will not be able to achieve the lower vehicle emissions, with the harsh penalties applied making them no longer viable in the Australian market. With manufacturers no longer delivering these vehicles to Australia, it is likely new car dealers licenced to sell these makes and models may be forced to close their doors. Those in regional Australia will be most affected.

Many of these new car dealers have decades long relationships with the manufacturers and had a strong viable business before the new standards were



introduced. Consideration must be given to compensating those new car dealers negatively impacted by the NVES, particularly established new car dealers forced to close their doors.

### Conclusion

The proposed NVES is a heavy-handed regulatory approach, with heavy penalties applied to the vehicle manufacturers. These costs will simply be passed directly on to the domestic automotive dealer and ultimately to the consumer through sharp increases in vehicle prices.

The Australian NVES needs to take a realistic approach to the CO<sub>2</sub> targets, with timelines that are achievable and do not contribute to excessive price increases for vehicles. The market is not as responsive as the government assumes. It is unrealistic to expect a 60 per cent reduction in vehicle CO<sub>2</sub> emissions in only five years. Imposing unachievable targets with severe penalties for failure, will drive up the costs of vehicles for consumers with only a modest contribution to emissions reduction.

While the NVES is directed at vehicle suppliers (manufacturers and new car dealers), ultimately it is consumers that determine the composition of vehicles in the Australian market. The top three selling vehicles in Australia are utes, with only one EV in the top 10 cars currently sold in Australia. Focusing solely on the supply side will not be sufficient to achieve the ambitious vehicle emissions reduction targets. There needs to be as much focus on shifting consumer preferences on the demand side, through initiatives and incentives aimed at changing attitudes to purchase LZEVs. Simply imposing high penalties on manufacturers and new car dealers, without changing consumer preference, will drive up prices but fall short of achieving the targets.

The NVES needs to work with the global shift in technology and international standards, rather than force change. Most manufacturers in the Australian market already have in place strategies to phase out production of ICE vehicles and move to hybrid and/or electric vehicles over the next decade. These will flow through to the cars that they provide to the Australian market. It is important that the NVES is aligned with what vehicle manufacturers are achieving.

The government's ambition with the NVES must be achievable, as unrealistic targets will only result in the average Australian motorist paying more for new vehicles.

Yours sincerely,

**Andrew McKellar**  
Chief Executive Officer