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# Motor Vehicle Standards (Cheaper Transport) Bill 2014

Submission to the Senate Standing Committees  
on Environment and Communications

## ABOUT US

Set up by consumers for consumers, CHOICE is the consumer advocate that provides Australians with information and advice, free from commercial bias. By mobilising Australia's largest and loudest consumer movement, CHOICE fights to hold industry and government accountable and achieve real change on the issues that matter most.

To find out more about CHOICE's campaign work visit [www.choice.com.au/campaigns](http://www.choice.com.au/campaigns)

## INTRODUCTION

CHOICE appreciates the opportunity to provide the following comments on the Motor Vehicle Standards (Cheaper Transport) Bill 2014 (the Bill) to the Senate Standing Committees on Environment and Communications.

CHOICE strongly supports the intent of the Bill, to introduce a mandatory minimum standard for vehicle fuel efficiency in the Australian market. We note that Australia is the only advanced economy without mandatory standards for vehicle fuel efficiency or greenhouse emissions. The result is undoubtedly higher fuel costs for Australian consumers, and a risk that our market becomes a dumping ground for inefficient, costly-to-run vehicles.

In the wake of the Volkswagen diesel air pollution scandal, CHOICE has expressed concerns at the largely self-regulatory approach to emissions and efficiency standards in the motor vehicle sector. While these issues are by no means unique to Australia – and in fact much of the evidence regarding inefficient vehicles comes from overseas testing – we believe the Federal Government has a clear role to play to ensure consumers can have confidence in the claims made about vehicles they purchase.

CHOICE recommends that mandatory minimum vehicle fuel efficiency and greenhouse emission standards are established as soon as possible to bring Australia in line with equivalent developed countries. In addition, CHOICE further recommends:

- The Federal Government reviews its current approach to vehicle testing and ensures there is genuine independence and rigour in the testing of vehicles sold here, for both air pollution and fuel efficiency.
- That the Federal Government work internationally and fast-track the adoption locally of test procedures that close the growing gap between laboratory and ‘real world’ vehicle performance.

We believe these steps are necessary to address clear consumer detriment in Australia’s motor vehicle market.

# 1. The case for mandatory fuel efficiency standards

Fuel costs consistently rank as the second or third highest cost-of-living concern for Australian households as measured in CHOICE's nationally representative Consumer Pulse survey, behind electricity and food and groceries.<sup>1</sup> As recent trends show, fuel prices are extremely volatile, and are to a large degree dictated by international factors beyond the control of individual consumers or local retailers. This sense of powerlessness is a factor in consumer concern, as it is with other essential services.

But one action that is within consumers' control is their choice of vehicle. The capacity for consumers to reduce their fuel costs through purchasing more efficient vehicles relies on both demand-side and supply-side factors. On the demand-side, consumers require clear information about the efficiency and environmental performance of vehicles that they can rely on with confidence. On the supply side, consumers need access to purchase vehicles that meet the world's best standards for fuel efficiency and environmental performance.

At present, evidence suggests that the motor vehicle market is failing Australian consumers on both the supply and demand side. CHOICE recommends that the Federal Government take action to address these failures. Consumer concern over fuel prices indicates the benefits would be significant for household budgets, aside from other positive externalities, for example the environmental and public health benefits of reduced air pollution and greenhouse emissions.

Australia is the only advanced economy to have no mandatory standards for fuel efficiency or greenhouse emissions. According to the National Transport Commission (NTC), in 2012, our average greenhouse emissions from new vehicles were 44% higher than Europe.<sup>2</sup> The NTC also notes that while consumer preferences play a key role in determining the efficiency of Australia's vehicle fleet, these preferences are influenced by government policies and regulations, and fundamentally, by the availability of fuel efficient vehicles. In comparison with the UK in 2013, Australia had:

- Fewer regulations and policies directed towards lowering the average carbon dioxide emissions; and
- Fewer low carbon dioxide emitting vehicles available for purchase.

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<sup>1</sup> See 'Change in Cost of Living Concerns Between June 2014 and June 2015', *Consumer Pulse: Australians' attitudes to cost of living 2014-15*, pp. 6-7, accessible at <https://www.choice.com.au/~media/ef9cbe615ba84432982b76715bf60b80.ashx>

<sup>2</sup> National Transport Commission Australia, 'Light Vehicle Emissions', last updated 20 July 2015, accessible at <http://ntc.gov.au/topics/environment/light-vehicle-emissions/>

It has been suggested that Australia's lack of mandatory vehicle fuel efficiency standards is directly related to concerns over the viability of the local motor vehicle manufacturing industry.<sup>3</sup> If that is the case, then it should no longer be a consideration given local manufacturing will soon cease.

CHOICE recommends that Australia adopt mandatory vehicle fuel efficiency and greenhouse emission standards that are aligned with standards in comparable advanced economies, such as Europe and the United States. If we do not do so, there is a risk that our market will become a dumping ground for more inefficient, costly-to-run vehicles.

## 2. The case for better information

CHOICE is concerned that Australian consumers cannot have confidence in the information provided to them about the fuel efficiency and environmental performance of new motor vehicles.

The VW scandal raised broader questions about the degree of self-regulation in the motor vehicle market internationally, with claims that certain tests have been manipulated and 'gamed' by manufacturers.<sup>4</sup> Beyond VW, CHOICE is not aware of evidence that these practices have been undertaken by manufacturers of vehicles sold in Australia. However there is evidence of a substantial and growing gap between the fuel efficiency claims of manufacturers based on laboratory testing, and the performance of vehicles in the 'real world'.

Research from Europe has shown the gap between car makers' claims and real-world performance has grown consistently over time, and is now at 40%.<sup>5</sup> Data published by UK consumer group Which? in April 2015 showed that 98% of 200 vehicles tested over the preceding two years could not match or exceed their claimed fuel efficiency as listed on the manufacturers' websites.<sup>6</sup> Which? concluded that the result is significantly higher running costs for consumers compared to the 'official' figures – a yearly average of £133 (\$284AUD), with an upper range of £459 (\$981AUD).

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<sup>3</sup> For example, see ABC 7.30, 'VW scandal set to impact Germany but how will it affect Australians?', 25 September 2015, accessible at <http://www.abc.net.au/7.30/content/2015/s4320089.htm>

<sup>4</sup> For example, see <http://www.transportenvironment.org/publications/vw%E2%80%99s-cheating-just-tip-iceberg>.

<sup>5</sup> See <http://www.theicct.org/news/real-world-vehicle-fuel-economy-gap-continues-widen-europe-press-release>

<sup>6</sup> See <http://www.which.co.uk/news/2015/04/false-economy--98-of-cars-cant-match-their-mpg-claims-401750/>

A subsequent analysis of the 20 'worst performing' vehicles from the Which? test identified nine models sold in the Australian market, and found the average difference between Australian claims and the test performance was 37%.<sup>7</sup> These results are consistent with CHOICE's own real-world testing of nine vehicles since September 2014, which found these cars consumed on average 25% more fuel per 100km than manufacturer's claims.<sup>8</sup>

Industry regularly argues that cars cannot be expected to perform in the 'real world' as they do in standardised laboratory tests, and that manufacturers are simply providing information through processes mandated by regulation.<sup>9</sup> There are two issues with this response. Firstly, it does not explain the significant variation between models tested and the fact the gap has been growing over time. The Which? tests are standardised and conducted in a laboratory, albeit using more demanding cycles that are more representative of real-world driving.<sup>10</sup>

Secondly, it is absurd for Australian consumers to be provided with comparative information on vehicle fuel efficiency that bears no resemblance to how the vehicles consume fuel in the real world. While some industry responses appear to suggest consumers should be satisfied with inaccurate information, provided it is consistently inaccurate and therefore representative of relative differences between vehicles, even this is clearly not the case. There is an argument here for Federal Government intervention and for manufacturers to take responsibility for the accuracy of the information they provide consumers about their vehicles.

There is movement across jurisdictions to improve testing procedures for both greenhouse emissions and air pollutant emissions. The United Nations is currently adopting a new test procedure for measuring greenhouse emissions from passenger cars and light commercial vans in the laboratory, the Worldwide Harmonized Light Vehicles Test Procedure (WLTP).<sup>11</sup> As well as harmonising standards across jurisdictions, this will define test procedures that are more realistic and representative of real-world driving conditions. Meanwhile, the European Commission has approved a new Real Driving Emission (RDE) testing procedure for air pollutant emissions that will be implemented from January 2016.<sup>12</sup> This will test the air pollutant

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<sup>7</sup> John Rolfe, *The Advertiser*, 'Fuel efficiency scandal: independent testing shows cars use 10% more petrol than advertised', 27 September 2015, accessible at <http://www.adelaidenow.com.au/news/national/fuel-efficiency-scandal-independent-testing-shows-cars-use-10-per-cent-more-petrol-than-advertised/story-fntzoymf-1227546276726?sv=e68b7055d6e3c4384abd5430d4b16a33>

<sup>8</sup> Based on CHOICE results for Mazda CX-3, Honda HR-V, Audi Q5, Mercedes GLA 250, Lexus NX200t, Volvo XC60, BMW X3, Holden Trax, and Honda Odyssey.

<sup>9</sup> For example, see <http://www.goauto.com.au/mellor/mellor.nsf/story2/61CE4929A9878DD5CA257ED200057098> and <http://www.fleetnews.co.uk/news/manufacture-news/2015/04/24/mitsubishi-responds-to-real-world-fuel-economy-criticism>

<sup>10</sup> Which?, 'How we test – how we test cards', accessible at <http://www.which.co.uk/cars/choosing-a-car/how-we-test-cars/how-we-test-mpg/>

<sup>11</sup> <https://www2.unece.org/wiki/pages/viewpage.action?pageId=2523179>

<sup>12</sup> [http://europa.eu/rapid/press-release\\_MEMO-15-5705\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-5705_en.htm)

emissions of cars driven outside on real roads, replacing current laboratory-based testing of the type that was manipulated through VW's 'defeat device'.

While better test procedures are critical, there is also a need for greater assurance around the rigour and independence of the testing process. CHOICE supports calls from the NRMA for a process to ensure motor vehicles imported into Australia comply with standards – beyond simply assurances from manufacturers.<sup>13</sup> Whether this is a fully independent testing regime or enhanced independent auditing of vehicles imported into Australia, it is critical that car manufacturers are made accountable for claims made regarding vehicle fuel efficiency and environmental performance.

### 3. Other matters relating to vehicle fuel efficiency

CHOICE recognises that there is a range of policy interventions that might help consumers save on fuel costs through the purchase of more fuel efficient vehicles. For example, we note the ACT Government recently implemented its Vehicle Emissions Reduction Scheme, providing differential duty based on the greenhouse emissions of new vehicles combined with the purchase price.<sup>14</sup> We also note the scheme is intended to be revenue neutral for the ACT Government.<sup>15</sup>

In itself, a 'feebate' approach does not replace the need for best-practice mandatory standards, improved testing procedures and ensuring the accuracy of information provided to consumers. But we would urge the Committee to assess a range of innovative policy options for helping Australians save on fuel costs through purchasing more efficient motor vehicles.

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<sup>13</sup> <http://www.themotorreport.com.au/62379/volkswagen-scandal-nrma-calls-for-accurate-fuel-consumption-ratings>

<sup>14</sup> See <http://www.rego.act.gov.au/functions/news/news-items/vehicle-emission-reduction-scheme-flyer>

<sup>15</sup> <http://www.abc.net.au/news/2015-06-30/act-government-lower-duty-prices-on-fuel-efficient-cars/6582784>