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Committee Secretary,  
Senate Economics Legislation Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Greetings,

RE: COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill 2020

Please accept the enclosed submission regarding the proposed imposition of road users' taxes on the owners of electric vehicles. It was originally written in response to the Victorian State Government's proposal and sent to five State Labor MPs some weeks ago, none of whom has managed to respond. Perhaps they have yet to think of a logical and legitimate reason for taxing the owners of electric vehicles.

You will note from it that I fully support the proposal by The Greens to penalise State Governments which introduce such taxes, for the reasons outlined in my submission. The only reason offered during the promotion of such taxes has been 'fairness', making the owners of electric vehicles 'pay their fair share' of road maintenance costs. My submission comprehensively destroys this spurious argument.

Electric vehicles offer numerous benefits to governments and communities, something recognised by the many countries providing incentives for people to choose clean technology over internal combustion engine cars. It is only in Australia that governments think penalising people for not polluting is a good idea. State governments should not be taxing electric vehicles, they should be buying them to help create a viable second-hand market so people who wish to drive emissions free vehicles but cannot afford a new electric car have the opportunity to buy a well maintained ex-government fleet vehicle instead. There will eventually be a need to change the way vehicle-related taxes are collected, but electric vehicles currently make up less than 1% of the vehicles on our roads so it is irrational to penalise the few people who have chosen to buy an electric vehicle for the sake of their children, grandchildren and planet.

The hazards of vehicular pollution have been well known worldwide for decades, but we in Australia have some of the filthiest fuel in the OECD and poor emissions standards. We cannot afford to ignore the damage vehicular pollution is causing. Nor can we keep ignoring climate change, as some members of the LNP insist on doing. A rapid transition to electric vehicles is critical to the achievement of any zero net emissions goal and to the wellbeing particularly of urban residents. Please read the attached submission and support the COAG Reform Fund Amendment (No Electric Vehicle Taxes) Bill. It is much too early in the transition to electric cars to impose punitive charges, which are already discouraging people from choosing emissions-free vehicles and causing the cancellation of orders. Just before Christmas, I had the pleasure of going for a drive in a beautiful red Tesla Model 3. That was only possible because the original order for the car had been cancelled just after the Andrews Government had announced its intention to tax the owners of electric vehicles.

Yours sincerely,



Helen Moss

## Road user tax on electric cars?

Victorian Treasurer Mr Tim Pallas says he will apply road use charges to electric and plug-in hybrid cars from mid 2021 because, 'If you're not filling your vehicle up with petrol, then ultimately you're not paying your share of maintenance costs of dealing with our road system, so this is essentially the government making it a fairer system so that everyone pays their fair share of that wear and tear'. This is one of those deceptively simple arguments which seem, on the surface, to have some logical merit, but when exposed to even cursory analysis are demonstrably absurd.

### Fair wear and tear?

If wear and tear on our roads was the primary reason for a new tax, then it should be applied to heavy trucks. Heavy trucks cause far more damage to roads because of their weight. The still widely used Generalised Fourth Power Law is a simplified but very useful guideline for calculating the road damage caused by vehicles of different weights in terms of axle loads. The rule of thumb for comparing the amount of road damage caused by vehicles of different axle weights is  $\left(\frac{W_1}{W_2}\right)^4$

where  $W_1$  is the weight of an axle on vehicle 1, which is compared to  $W_2$ , the weight of an axle on vehicle 2. For example, if a heavy truck weighs 40 tons, spread over 8 axles, each axle weight is 5 tons. If the electric car weighs 2 tons, each axle weight is 1ton.  $5/1$  to the fourth power is 625. The relative damage done by each axle of the truck is 625 times more than each axle of the car. Given that the truck has eight axels and the car two, the relative damage caused by the truck would be  $625 \times (8/2) = 2,500$ . The truck does 2,500 times the damage done by the car. Karim Chatti, a civil engineer at Michigan State University in East Lansing said, 'The damage due to cars, for practical purposes, when we are designing pavements, is basically zero. It's not actually zero, but it's so much smaller – orders of magnitude smaller – that we don't even bother with them.'

Trucks use more fuel than cars and thus pay more fuel excise, but they are certainly not using enough to compensate for the vastly greater damage they cause. In fact, while the drivers of internal combustion engine (ICE) cars are paying fuel excise of 42.3 cents per litre, for vehicles weighing more than 4.5 tonnes, the excise is only 25.8 cents per litre. Therefore, all car drivers are subsidising the trucking industry because most of the damage to roads is caused by trucks. Is that fair? As Richard Denniss, chief economist at The Australia Institute puts it, 'According to the National Transport Commission, the body that sets the fuel tax rate paid by trucks, "government expenditure on roads has increased to an extent that heavy vehicle charges would have needed to increase by 11.4% for 2020-21 to achieve full cost recovery". But fuel taxes for trucks haven't increased, they've fallen. Hence the rush to tax electric vehicles.' ([theguardian.com/commentisfree/2020/nov/25/instead-of-taxing-electric-vehicles-heavy-trucks-should-pay-more-for-the-damage-they-cause](https://www.theguardian.com/commentisfree/2020/nov/25/instead-of-taxing-electric-vehicles-heavy-trucks-should-pay-more-for-the-damage-they-cause))

### Exposing Excise

Of the 42.3 cents per litre fuel excise paid by the owners of internal combustion engine powered passenger vehicles, only 40-50% is directed towards national transport infrastructure. The rest goes into consolidated revenue. In fact, fuel excise has not been directly linked to road maintenance since 1959 and the Parliamentary Library explains that fuel excise is primarily intended to raise general revenue and to offset the costs to society of fuel usage, perhaps even relating to the 1,750 people who die each year from respiratory failure due internal combustion engine emissions. If such a high percentage of the fuel excise revenue is not even spent on roads, taxing electric vehicles (EVs) on the basis that they are not contributing to an allegedly shrinking pool of road funding money cannot be justified.

In reality, fuel excise is projected to increase during the coming four years and, according to the CSIRO report *Projecting future road transport revenues 2015-2050*, is in no danger of decline for the next ten years. The report also noted that the biggest threat to revenue was from hybrid vehicles, not EVs. The notion that fuel excise is decreasing is a fiction propagated by, among others, Infrastructure Partnerships Australia (IPA), a lobby group for toll road operators and the like. Why are they spreading this fiction and fiercely advocating for a road user tax on electric vehicles? Interesting questions, although it is generally understood that lobby groups act in pure self-interest. They are formed wholly and solely to advance the interests of their members. As has been seen for many years with tobacco and fossil fuel lobby groups, their interests may be entirely opposite to those of people and planet (references too numerous to mention, but start with *Merchants of Doubt: How a Handful of Scientists Obscured the Truth on Issues from Tobacco Smoke to Global Warming*, Naomi Oreskes & Erik M. Conway). Their entreaties to governments are motivated entirely by profit.

Fuel excise is a federal tax which currently raises about \$11.6 billion a year, but the federal government only pays for federal highways and 'roads of national importance'. Most road expenditure is incurred by the states, which collect vehicle registration fees to help cover the costs. Then there are all the local streets which are maintained by local councils and which you contribute towards via your rates. Regardless of whether you drive an ICE or electric car, the amount you pay in rates is determined by the valuation of your property, not by what type of car you drive. Certainly the council will receive grants from the state or federal government to assist in road maintenance, but those grants are not necessarily classified as road expenditure even though the money is spent on roads. State governments gain much of the revenue they use to maintain roads through the allocation by the federal government to the states of the GST paid by everyone, including EV owners.

### **Fuel security**

Much has been said in recent months about Australia's dependence on imported oil. International Energy Agency members, including Australia are required to have a strategic petroleum reserve equal to ninety days of the previous year's net oil imports. Australia is consistently non-compliant. There are more than 19 million motor vehicles on Australian roads. In total, in the twelve months to 20 March 2019, these vehicles travelled an estimated 255,031 million kilometres, an average of 13,400 kilometres per vehicle. Passenger vehicles accounted for 70.5% of the total kilometres travelled. The average vehicle in Victoria travelled 14,100km, the highest average in Australia. The fuel consumed by all road registered vehicles totalled 34,170 megalitres. Of the total number of registered vehicles, 14,258,620, or 75%, were passenger vehicles. (*Survey of Motor Vehicle Use, Australia*, 20 March 2019, Australian Bureau of Statistics). One way to reduce our reliance on imported oil and reduce the risk of sudden loss of fuel availability due to conflict or natural disaster is to rapidly increase our fleet of electric vehicles. Electric vehicles can be, and frequently are, charged using renewable energy. Sun and wind are available in abundance in Australia so fuel security from renewable sources is guaranteed.

Australia is the only OECD country which does not impose fuel efficiency standards on passenger vehicles and the coalition government rejected the recommendation of the Climate Change Authority that such a standard be implemented. Instead, the government is apparently hoping that vehicle emissions standards imposed in countries from which we import cars will flow through to Australia. New research demonstrates that fuel efficiency in the Australian vehicle fleet is becoming worse, not better. If no efficiency standards are legislated, transport emissions will continue to increase and even accelerate. Total road travel distance in Australia has increased 41% in less than two decades, from 181 billion kilometres in 2000 to 265 billion kilometres in 2019. Between 2000

and 2017, the total CO<sub>2</sub> emissions from road transport increased by 31%. That is an increase from 16% of total emissions in 2000 to 22% in 2017. Without government regulation, transport emissions are projected to reach 111 million tonnes of CO<sub>2</sub> by 2030, 82% higher than they were in 1990 (The Conversation, *We thought Australian cars were using less fuel. New research shows we were wrong*)

Transport Energy/Emission Research (TER) analysis suggests the actual emissions intensity of Australian passenger vehicles has stabilised and probably increased. When real world figures are considered, as distinct from laboratory tests used to produce the figures reported by manufacturers, TER found that carbon emission intensity stopped declining in 2014 and began increasing in 2015, probably because buyers now favour heavy SUVs, 4WDs, large utes and diesel cars.

‘Subsidy to save refinery jobs’ made an interesting headline in *The Age* on December 14, 2020. The federal government, against its own laissez-faire economic philosophy, will provide taxpayer-funded production payments to oil refineries. Federal Energy Minister Angus Taylor is quoted as saying, ‘The production payments will help the industry withstand the economic shock of this crisis, protecting local jobs and industry, bolstering our fuel security and shielding motorists from higher prices.’ Yet again, ICE vehicles are subsidised, while electric vehicles are penalised with high taxes. Every subsidy for ICE vehicles further disadvantages electric vehicles in the market and makes them, comparatively, even less affordable.

### **Government ignoring its own reports**

The Parliament of Victoria Legislative Council Economy and Infrastructure Committee Inquiry into electric vehicles (May 2018) offers some interesting insights. From section 2 Electric vehicles: potential benefits and losses comes: ‘The potential environmental, health and economic benefits for Victorians that could result from a higher uptake of electric vehicles and corresponding shift away from traditional vehicles that rely on internal combustion engines include:

- Potential for new jobs in Victoria in electric vehicle technology and charging infrastructure
- Enhanced fuel security and independence from imported oil supplies
- Reduced vehicle operating and maintenance costs for drivers
- Reduced transport and traffic noises, as well as improved amenities
- Environmental benefits such as reduced greenhouse gas emissions
- Cleaner air in Metropolitan Melbourne
- Potential positive impacts of electric vehicles on electricity supply and distribution to Victoria when electric vehicle charging is managed and supported by new electric Vehicle-to-grid technology that is in development.’ (p. 7)

In section 2.1 Potential economic benefits and losses with the advent of electric vehicles, it is stated, ‘During the Victorian Government’s 2010-2014 Electric Vehicle Trial, the Department of Transport commissioned infrastructure, project design and management firm AECOM to undertake modelling of the economic benefits of electric vehicles. According to the results:

*‘Under all scenarios, electric vehicles will provide a net economic benefit for Victoria. The benefit varies from 1.8 billion to 23.4 billion over the period to 2040, without considering the economic contribution of the electricity and automotive industry sectors.’* (My emphasis) (Department of Transport Planning and Local Infrastructure (Vic) Creating a Market: Victorian Electric Vehicle Trial Mid-Term Report, Victorian Government, Melbourne 2013, p103

Under section 2.1.1 Recharging and maintenance costs, the Australian Electric Vehicle Association (Victorian branch) stated:

Electric cars do not require regular oil and coolant changes (if at all) to the extent of internal combustion models, *avoiding most of the cost and environmental impact of waste disposal*. (My emphasis) (Australian Electric Vehicle Association (Vic) *Submission*, no. 14 p.2

Section 2.1.2 stated that during the Victorian Government EV trial, the authors of the mid-term report described electric vehicles as a potential ‘sweet spot’ for Victorian jobs and presented numerous examples.

Further, in section 2.2.1, ‘A public hearing, Mr Paul Salter, Acting Executive Director of Network Strategy at Transport for Victoria (the State Government’s central transport agency) told the Committee that the Federal Government is considering the introduction of a road users’ tax instead (to replace fuel excise). Drivers would be taxed according to the distance they travelled. This would mean that electric vehicles would attract the same level of taxation as other vehicle types, and would ensure the amount of road-related revenue to the Commonwealth remained steady.’ Mr Salter said, ‘One of the things that is very much being looked at, at the national level though COAG and through the Transport and Infrastructure Council – *no one state is looking at it in isolation because it ultimately involves a change in the mix of different state and commonwealth taxes and so forth* (my emphasis) – is road pricing, obviously more in the medium to longer term, as a means of addressing some of the fiscal consequences of reduction in excise revenue, for example.’ (Paul Salter, Acting Executive Director - Network Strategy at Transport for Victoria *Transcript of Evidence*, 13 February 2018, pp. 8-9)

The most salient point, also in section 2.2.1 is this paragraph:

The Committee heard that revenue towards road infrastructure will decline as Australia transitions to new vehicle and transportation technologies. This may involve a different role for the Victorian Government in relation to a road user taxation scheme and will require discussion between the Victorian Government and other states and territories through the COAG to identify a taxation measure that will replace the fuel excise tax *without penalising* the increasing numbers of drivers who are adopting *electric vehicle and other new transportation technologies*.’ (My emphasis)

It is very clear that only two years ago:

- the Victorian Government was well aware of potential benefits of electric vehicles to the Victorian economy,
- the Federal Government was contemplating a road users’ tax on all vehicles, not just electric cars,
- the Victorian Government should engage in discussion with other COAG members to discuss taxation measures which could be implemented to replace fuel excise rather than unilaterally introducing its own tax, disrupting current taxation arrangements between state and federal governments, and
- drivers of electric cars should not be penalised in the process.

Yet now, despite its own report, the government has announced that it intends to penalise the owners of electric cars.

The recently released *Victorian Greenhouse Gas Emissions Report 2018* tells us that Victoria’s total emissions in 2018 were 102.2 million tonnes (Mt) of carbon dioxide equivalent (CO<sub>2</sub>-e). The second largest source of emissions, after electricity generation, was transport, at 22.9% of the total. While emissions from electricity generation fell, transport emissions increased between 2005 and 2018 by 3.2 Mt CO<sub>2</sub>-e. Section 2.1.3 *Transport* states that the major contribution to emissions from transport was cars (51.8%). Road transport was responsible for the vast majority (87.9%) of emissions from the transport sector. ‘In 2018 the transport sub-sector consumed 348 petajoules of energy, with the

main fuels being petrol (46%), followed by diesel (39%)... ‘Within Melbourne, the dominant mode of transport is cars...’ ‘Transport emissions grew by 7.5Mt CO<sub>2</sub>-e between 1990 and 2018. Transport contributed 22.9% of Victoria’s net emissions in 2018 – the second largest share behind electricity generation.’ Among the factors contributing to the steady growth in Victoria’s transport emissions is, ‘Emissions from cars increased by 25.1% between 1990 and 2018.’ This report shows that emissions from transport are the fastest growing source in the state, increasing 3.5% from the previous year. It is a clear indication that, to reduce emissions, a rapid transition to electric vehicles must be encouraged and facilitated if Victoria is to reach net zero emissions by 2050, the government’s stated goal.

### **Tax electric vehicles? A sick idea**

The report ‘*Cleaner and Safer Roads for NSW*’, co-authored by the Electric Vehicle Council of Australia and Asthma Australia with the assistance of Doctors for the Environment Australia suggests that the health costs of transport-related illness could be as much as \$3 billion each year for the Sydney – Wollongong – Newcastle area alone. Transport related illness such and lung and respiratory disease result in 60% more deaths than road accidents. According to the Department of Environment and Conservation, approximately 650 people die in NSW each year from transport emissions related disease, proving that the deadliest part of a motor vehicle is the exhaust pipe.

Children are particularly at risk. Vehicle pollution is a very significant causal agent in childhood asthma. Children living within 75 metres of a major road have their risk of suffering a lifetime of asthma increased by 29%. Schools and childcare facilities are often built close to major roads for ease of accessibility increasing the risk of asthma.

Emissions from internal combustion engines (ICE) which cause illness and death include carbon monoxide, nitrogen oxides, particulate pollution and volatile organic compounds. Replacing ICE vehicle with EVs would entirely eliminate carbon monoxide and nitrogen oxide emissions from vehicles. Volatile organic compounds and PM10 particulate matter could be halved and the most harmful emissions, PM2.5 particulate matter could be reduced by nearly two thirds. EV use does not completely eliminate particulate pollution because some is produced by brakes and tyres, although regenerative braking systems slow the vehicle without using the discs, thus also reducing particulate pollution. Diesel emissions have been classified by the World Health Organisation as carcinogenic. The costs of diesel particulate emissions have been estimated at \$257,000 per tonne. In Sydney alone, more than 1,500 tonnes of diesel particulates are emitted each year, potentially resulting in health costs of over \$400 million (Giles Parkinson tweet 25/11/2020).

### **Stuck in the greenhouse**

Australia’s National Greenhouse Gas Inventory suggests that transport is the country’s third largest emitter of greenhouse gases. This covers all transport, including trains, planes, cars and trucks. According to the Climate Council, cars produce 46% of total transport emissions. Road transport produces 85% of all transport emissions. Numerous recently produced reports on climate change warn us, yet again, that we must quickly reduce greenhouse gas emissions, starting immediately, if we are to avoid even more dangerous climate change. Most developed countries have recognised that rapid decarbonisation of the economy is essential and have set the goal of net zero emissions by 2050. According to the CSIRO’s State of the Climate 2020, prepared in conjunction with the Bureau of Meteorology, Australia’s climate has warmed on average by  $1.4 \pm 0.24^{\circ}\text{C}$  since national records began in 1910. Extreme weather is increasing in frequency, sea levels around Australia are rising, sea surface temperatures are rising, oceans around Australia are acidifying and atmospheric CO<sub>2</sub> is increasing.

The condition of the Great Barrier Reef has worsened, according to a damning world heritage outlook report by a UNESCO advisory body, from ‘significant concern’ to ‘critical’. Climate change is now considered to be the greatest threat to the reef. The 2020 Conservation Outlook stated that ‘a number of values’ which had qualified the Great Barrier Reef for World Heritage listing had diminished, with much of the damage occurring within the last four years. The report also downgraded its rating of four other Australian World Heritage sites, the Blue Mountains, the Gondwana rainforests (both were damaged by the 2019-20 bushfires, which were exacerbated by climate change), Shark Bay and the Ningaloo Coast. Clearly reducing greenhouse gas and other damaging emissions from road transport should be a very high priority, especially since the technology to do so is already available and already in use.

The front page headline of *The Age* December 15, 2020, ‘Alarm on food bowl as climate heats up’ is yet another reminder among countless others of why we need to replace ICE vehicles with electric as fast as possible. ‘A joint study by the Bureau of Meteorology and the CSIRO found the “middle of the road” climate scenario is for a 20 per cent reduction in streamflows across Australia’s food bowl, assuming 2 degrees of global warming will be reached by 2060, as forecast by the United Nations.’ The Murray-Darling Basin Authority’s head of strategy, Vicki Woodburn said, ‘the climate has changed faster than anticipated’, which brought ‘profound new challenges’. Climate change isn’t some vague threat somewhere in the future, it is here now and growing worse. The climate crisis requires that we reduce emissions rapidly and replacing ICE vehicles with electric is a very easy place to start.

Professor and Climate Council chief councillor Tim Flannery stated at the 2020 EV Vision e-Conference in November that, ‘The best science we have tells us if we want the best chance of avoiding tipping points, we need to reduce carbon emissions by 8% per year every year through to 2030.’ He also noted, ‘One of the biggest problems we have is the way the fringe benefit tax is crafted – currently you get fringe benefits for the fuel you burn, but there is not the equivalent for electric vehicles.’ ‘We need profound reform for fringe benefits to allow electric vehicle uptake’, he added, and, ‘The time is not right for (introducing EV taxes). We need rapid uptake, we need 8% reduction (in CO<sub>2</sub>) per year.....we’re not going to achieve that with roadblocks.’

### **Electric vehicles pay their way**

A study, *Uncovering the hidden costs and benefits of Electric Vehicles*, by accounting firm Ernst and Young dated 18 September 2020 clarifies the costs and benefits of electric vehicles. It concludes that even though owners do not pay fuel excise, the average electric vehicle owner pays more tax, when state and federal charges are considered, than the owner of an ICE car. The loss of fuel excise is more than compensated by the higher GST, luxury car tax and stamp duty. It is estimated that the average electric vehicle provide a net government revenue benefit over ten years of \$7,079 from additional GST and LCT, as well as registration. The owners of electric vehicles charged from the grid also pay GST on the electricity used. As well, each EV *avoids* net government expenditure over the same period of \$892 through reduced expenditure on Strategic Fuel Reserve leasing. The purchase of electric vehicles by private citizens reduces the need for government expenditure to reduce greenhouse gas emissions in its quest to meet international climate obligations. Then there are the ‘market externalities’, where electric vehicles provide a significant economic benefit by reducing greenhouse gas emissions and other hazardous products of burning fossil fuels, and noise pollution. Replacing a petrol or diesel car with an electric car avoids net market externality costs to governments and society will, over ten years, save \$3,377 per vehicle from reduced greenhouse gas emissions, \$1,396 per vehicle through reduced local air pollution and \$2,624 through reduced noise. In other words, the replacement of ICE vehicles with EVs would have net revenue benefits for the government and society.

Those are just the current benefits. As the cost of batteries decreases and their efficiency improves, it is likely that electric vehicles will become a valuable grid resource. Electric vehicles will be used to supply electricity to households during peak usage times, reducing the cost of electricity and the demands on the grid. This will benefit owners through reduction in peak electricity costs, other members of society by reducing electricity cost through lowering peak demand and governments by reducing the need to upgrade infrastructure. As an example, there is a building in Tokyo which is not connected to the grid. It is run entirely from solar panels and the cars in the car park. The cars are guaranteed to have sufficient power at the end of the day to transport their drivers home, but also charge when the solar panels produce power in excess of the building's requirements (*Windfall*, Ketan Joshi, p.131).

### **Class warfare? How low can they go?**

Infrastructure Partnerships Australia has been advocating road user charges for some time, particularly since Adrian Dwyer became its CEO two years ago. When Victoria announced the new road user tax on electric vehicles, Mr Dwyer loudly proclaimed it was about time 'millionaires driving Teslas' paid their fair share of taxes, not just the mums and dads who drove petrol powered Mazdas and Kias. Why would the Andrews Government, or any other, buy into Infrastructure Partnerships Australia's nasty, cynical, self-serving class warfare? As noted above, those who purchase a new electric vehicle pay more than their fair share of tax through higher GST, stamp duty and Luxury Car Tax than the buyers of most ICE cars and EVs save governments far more than is lost in reduced fuel excise income.

As also noted above, fuel excise is not earmarked for road funding. Numerous commentators have suggested that the proposed road user tax on EVs is a blatant tax grab by state governments endeavouring to secure a slice of the fuel tax pie. Given that it is state governments rather than the federal government which build most roads and are therefore far more likely to engage the services of IPA's members to build and operate them, the motive for IPA lobbying states to collect more revenue ostensibly for road funding becomes clear. EV owners are targeted because they can be erroneously blamed for allegedly decreasing road construction and maintenance revenue because they don't pay fuel excise, then ostracised as 'millionaires in Teslas' so mum and dad driving a Mazda or Kia feel that the extra tax is justified and won't protest it.

Mr Dwyer says, 'This reform would not penalise those who wish to continue driving internal combustion engine vehicles'. Since the overall cost of running an EV would increase by around 5%, it is quite possible that, as Electric Vehicle Council chief Behyad Jafari put it, 'Under these proposed changes we would go a step further and suggest it will actively encourage the purchase of polluting cars that cost the health system billions of dollars each year. Air pollution from combustion engine vehicles kills many more people than the annual road toll.' (*The Driven* 'Big Push to hit EVs with road tax "before they appear in every driveway"') The mums and dads who used to own Mazdas and Kias and managed to purchase a second hand Nissan Leaf for less than \$20,000 to reduce their greenhouse gas emissions for the sake of their children will pay more road user tax than the millionaire owner of a hybrid Lexus SUV. They are certainly not millionaires, but are penalised for trying to do the right thing.

### **Reality**

Tony Weber, the Chief Executive of Federal Chamber of Automotive Industries, has spoken out against the introduction of a road user tax on electric vehicles in Victoria. He said of the proposal, 'Once again, we have a state government in Australia trying to destroy the path to a greener and cleaner motor vehicle fleet for this and future generations.' Mr Weber said it was 'mind boggling' that governments would decide to tax people who chose to spend more money on cars to reduce



pollution. His comments come after thirty one months of declining ICE vehicle sales in Australia, particularly in 2020 because of the COVID 19 pandemic. Mr Weber said in November that he could see ‘green shoots’ for the industry thanks to electric vehicles. ‘Such a transition needs to be undertaken in a holistic and nationwide manner, recognising the importance of EVs and other low emission vehicles. Let’s not kill EVs in their infancy’, he said.

Dr Jake Whitehead, a University of Queensland specialist in road user taxes and a lead author for the UN IPCC who works with the International Electric Vehicle Policy Council at the University of California says that taxing electric vehicles without introducing significant incentives for people to buy them, as exist in many other countries, could result in EV sales being 25% below the federal government’s ‘business as usual’ scenarios. This would mean 5 to 10 million fewer electric vehicles on the roads by 2050 and far higher emissions. Dr Whitehead the proposed road users tax is completely incompatible with mid-century Zero Emissions targets. ‘Unfortunately, neither of these State Governments seem to have recognised that higher taxes will lead to lower EV sales’, he said. Dr Whitehead says that in a recent study of Australian drivers, the introduction of a 2.5 cents per kilometre road user tax on electric vehicles would be perceived by drivers as a \$4,000 disincentive to buy an electric vehicle when EVs already typically cost \$20,000 - \$40,000 more than their ICE counterparts. He says, ‘What matters is perception, and even if the tax is only a few hundred dollars per year, the perception is that it will cost thousands over a car’s lifetime and that the government does not support the technology.’ (*Sydney Morning Herald* November 23,2020) The owner the eponymous hybrid Lexus SUV also pays far less in fuel excise than the mums and dads still driving relatively inefficient Mazda and Kia SUVs who can’t afford an EV – and won’t be able to afford one because the proposed tax discourages not only private buyers but also fleet buyers and by doing so severely limits the number of EVs which will become available in the second hand market.

Behyad Jafari says in reference to Dr Whitehead’s study, ‘State governments need to decide, do they want to introduce a tax on electric cars or do they want to commit to zero emissions by 2050? The research shows unequivocally they cannot do both. You don’t need advanced economics to understand that applying a big new tax on something discourages its consumption.’ ‘What this research makes clear is that we cannot allow State Treasurers to continue deceiving the public. You’re either for an electric vehicle tax or you’re for a 2050 zero target. You cannot be for both.’ (*Electric Vehicle Council States’ choice: Abandon electric car taxes? Or abandon zero emission target?* 25 November 2020)

Simon Holmes à Court, a senior advisor to the Climate and Energy College at Melbourne University, suggests that with the addition of a road usage tax, electric vehicles would become more expensive in Victoria. ‘If you’re a treasurer, this is a smart move. If you’re an environment minister, this is dumb. You are slowing down the transition to electric vehicles by putting them out of reach of more Australians’, he added. ‘A lot of people are holding out until they can afford it, and by putting this extra tax on top Victoria has just kicked it further into the future.’ Marion Terrill, the Grattan Institute’s transport and cities program director said that the issue with the tax was less about wealthy buyers and more about how the tax would affect the less affluent considering purchasing an electric vehicle. ‘I think price increases will affect people at the margin, people thinking ‘Oh, will I or won’t I? A price increase is likely to affect their decision.’ Behyad Jafari noted, ‘This actually has a harmful impact on equity. If you want to make something accessible to people, you make it cheaper, not more expensive.’ ([theguardian.com/environment.2020/Nov/25/disastrous-or-smartmove-how-victorias-case-for-an-electric-car-usage-tax-stacks-up](https://theguardian.com/environment.2020/Nov/25/disastrous-or-smartmove-how-victorias-case-for-an-electric-car-usage-tax-stacks-up))

If implemented as proposed, the Victorian electric vehicle road user tax would mean that EV owners would pay more in state tax than the owner of an ICE vehicle which uses 6 litres of fuel per 100km, pays in fuel excise, a federal tax which is not spent on roads. The federal government’s Bureau of Infrastructure and Transport Research Economics suggests that a 5% increase in running

costs for an electric vehicle, which the proposed tax represents, would reduce electric vehicle sales by 2.5% per year. That is around 1,000 vehicles in Victoria alone.

The analysis firm Climate Action Tracker suggests, ‘The CAT Paris Agreement- aligned benchmark requires Australia to increase its share of electric vehicles (or other emissions-free vehicles) in new vehicle sales from less than 1% today for personal cars, light duty vehicles and buses to 95% in 2030 to reach 100% in 2035. This would translate into about 38% EV share in the total fleet of cars and buses on the road in 2030 and, combined with decarbonisation of the power sector, would result in full decarbonisation of this fleet by the middle of the century.’

Scot Treatt, the Tax Institute’s GM for tax policy and advocacy, noted in an email to *The Driven* that, ‘Victoria’s proposed electric vehicle tax raises a number of challenges and questions.’ ‘One must question the underlying objectives of the Victorian Government in introducing such a tax. The disincentive introduced by this seems at odds to the nation’s call for further investment in emerging technologies and the global movement for reducing carbon output’.

Mr Stephen Lester, the managing director of Nissan Australia, said that the idea these taxes were targeted at wealthy people driving luxury cars is false and that such taxes would make it more difficult to introduce a wider range of cheaper electric cars into the Australian market. He says, ‘Australia’s EV policy is underdeveloped compared to other OECD nations. Nations with regulations and targets in support of EVs clearly have a stronger business case for faster new vehicle model introductions compared to Australia. Adoption of EVs in Australia will not gather any significant pace until there is a wider choice of EVs available, which will only arrive when there are clear policies that advocate and support consumer adoption of these vehicles.’ (*Sydney Morning Herald* November 23, 2020) Some manufacturers have decided against shipping their electric vehicles to Australia because of the federal government’s demonstrated antipathy towards EVs and the lack of incentives provided by governments less in the thrall of fossil fuels.

### **The future is now**

Japan is considering banning the sales of all petrol and diesel cars and light commercial vehicles by 2035, a proposal which follows Japanese Prime Minister Suga Yoshihide’s pledge to cut Japan’s carbon emissions to net zero by 2050. The UK has committed to banning the sale of pure petrol and diesel vehicles from 2030 and hybrids from 2035. This may not seem relevant, but these are two major right-hand drive markets. Since Australia no longer builds its own cars, it is entirely dependent upon overseas Original Equipment Manufacturers. Once they stop making petrol and diesel cars (and parts), Australia will be stuck in the past, the Cuba of the western world, trying to maintain an aging fleet of polluting ICE vehicles when it should have had the infrastructure and policies in place to encourage rapid uptake of electric vehicles rather than punitive taxes discouraging their purchase.

Rather, we should look to Norway to see how the transition to electric vehicles should be handled. Audrey Quicke and Richie Merzian wrote for *The Driven*, ‘At the core of the Norwegian approach is the mantra that EVs should be cost competitive at the point of purchase. This has been achieved through reduced vehicle registration tax, reduced company car tax and zero VAT, and enhanced through exemptions from road tolls, access to bus lanes and free access to ferries.’ The philosophy is simple, high taxes for high emission vehicles and lower taxes for low and zero emissions cars. The taxes introduced for ICE cars help finance the incentives for zero emission cars without there being any loss of revenue. The head of the Norwegian EV group Norsk Elbilforening, Christine Bu said, ‘As long as the technology is more expensive, better air quality and lower carbon emissions come with a price. Strong policies have created a market for EVs in many countries and as mass production is developing fast, EVs may soon be cheaper than cars with emissions.’ (*The Driven*

'2020 was the starter pistol on EVs – now the world looks to Norway for inspiration', 3.12.2020) If the transition to EVs is to be made, and it must if we wish to reach net zero emissions by 2050, then a tax must be introduced on polluting cars. It is absurd to tax cars for not polluting.

While the Victorian government contemplates taxing people for trying to reduce their greenhouse gas emissions, Tasmania's Liberal government has committed to transitioning its car fleet to 100% electric vehicles by 2030, after it recently tabled legislation to lock in the state's renewable energy target of 200% by 2040. Tasmanian premier Peter Gutwein said, 'As the range of electric vehicle continues to increase, we will increase our purchases to reach our target. Our target will be underpinned by a 100% electric vehicle and zero emissions strategy, including interim measures to further reduce emissions in the government fleet.' He also noted that shifting the government fleet to EVs will help create a second-hand electric vehicle market for the community, reduce dependence on imported liquid fuels and increase demand for the state's abundant renewable energy. (*The Driven Tasmania sets 100 per cent electric vehicle target for government fleet* November 13 2020)

Under a new governing agreement in the ACT, households will soon be able to access zero interest loans of up to \$15,000 towards the cost of buying an electric vehicle. Under the same agreement, the first two years of registration of a new EV will be free. The ACT already charges no stamp duty on the purchase of an electric car. Since the ACT is now operating on 100% renewable electricity, so all electric vehicles charged in the territory will run on renewable energy.

Angus Taylor has repeated ad-nauseum his mantra 'technology not taxes'. He told CarAdvice recently that, 'Australians should be able to choose which type of car they drive and the Morrison Government support them in this decision.' That is, a choice about whether or not to buy an electric vehicle. The Morrison Government's 'technology roadmap' includes the statement, 'The Strategy (a reference to the National Electric Vehicle Strategy, the release of which has been delayed for nearly two years) will look to enable all technology choices, including hybrid vehicles, fuel cell electric vehicles and battery electric vehicles so Australians can choose to adopt new vehicle technologies, where it makes sense for them to do so.' This assumes that all are on an equal footing and it is just a choice between one mode of propulsion or another. It is a false narrative, given the substantial taxes on new EVs and the lack of incentives for their purchase. Policies which accelerate the uptake of electric vehicles do not remove choice, they remove the barriers that actually prevent choice. ICE vehicles have the inherent, unfair subsidy because they are not charged for the harm the cause to health through air pollution and noise or the harm to climate through carbon emissions they produce. Additional state-based taxes on electric vehicles, taxes *on* technology, will further advantage highly polluting ICE vehicles, locking in the health and climate costs and ensuring that electric vehicles, although seen as desirable by a substantial proportion of the public (according to several EastLink surveys) will remain a niche purchase. Unfortunately we don't have a choice about the air we breathe or the planet on which we live.

### **The climate is right for electric vehicles**

Climate change is already rendering Victoria and Australia more hazardous and less liveable now. While Victoria's greenhouse gas emissions from electricity generation are falling, transport emissions are our second largest and fastest growing emissions source. Vehicular pollution is killing more people than vehicular accidents. Electric cars are a technological solution which is available and effective now and would be more affordable if incentives to purchase them were legislated, as in some other states and territories. Instead of encouraging the purchase of electric vehicles, the Victorian government intends to discourage it by applying a punitive road user tax to an already highly taxed product.

Victoria has a goal of achieving net zero carbon emissions by 2050. This target cannot be achieved without the rapid conversion of its vehicle fleet from internal combustion engines to electric vehicles. The choice is stark. The Victorian government can either achieve the net zero emissions goal or it can inflict a road user tax on electric cars, considerably slowing their uptake. It is one or the other, not both. According to credible research, the two are mutually exclusive.

The Victorian Government's own report *Inquiry into electric vehicles*, dated May 2018, does not recommend a State Government road users' tax. In fact the Committee specifically states that COAG should identify a taxation measure to replace fuel excise (a federal tax) without penalising drivers of electric vehicles and other new transportation technologies – which would include plug-in hybrids.

If paying a 'fair share' of funding for road building and maintenance is the aim as stated, the proposed tax fails on all counts. Firstly, fuel excise is a federal tax which has not been directly linked to road funding for more than sixty years. Secondly, the Generalised Fourth Power Law demonstrates that trucks, particularly heavy trucks, can do thousands of times more damage to the roads than cars, whether electric or ICE, but they do not pay thousands of times more tax to compensate for it. In fact they pay less. Car drivers are unfairly expected to subsidise trucks.

This iniquitous and industry damaging tax will not promote 'fairness', it will result in more illness and deaths due to transport pollution and further, totally unnecessary, greenhouse gas emissions. It will remove the opportunity for people to choose a non-polluting vehicle because of the additional costs imposed. This is not just a tax on 'a few millionaires driving Teslas', it is a tax on the mums and dads who have done a lot of extra work to procure a second hand Nissan Leaf or paid a premium to buy a new Hyundai Ioniq or electric Kona (nearly \$30,000 more expensive than the ICE version) or Nissan Leaf or Renault Zoe (withdrawn from sale in Australia due to a lack of government incentives and low uptake, while selling an average of 7,000 a month in Europe in 2020) because they are well aware that we must reduce greenhouse gas emissions rapidly if their grandkids are to have a chance of seeing the Earth which we have taken for granted. Listen to the experts, not to road lobbyists.

**Scrap the proposed new road user tax on electric vehicles!**

Helen Moss 15/12/20