



Australian Automotive Dealer Association Ltd.

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The Sir Jack Brabham Automotive Centre of Excellence

8/2728 Logan Road, Eight Mile Plains, Brisbane Queensland 4113

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Vehicle Emissions Working Group
The Department of Infrastructure and Regional Development
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CANBERRA ACT 2601

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Dear Working Group Members

AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION LTD (AADA) RESPONSE TO VEHICLE EMISSIONS DISCUSSION PAPER FEBRUARY 2016

1. Introduction

1.1 Thank you for the opportunity to provide a submission to the working group and participate in the Ministerial Forums held on 7 December 2015 in Sydney and 4 April 2016 in Canberra. AADA is the peak industry body for Australia's franchised new car dealer network. We acknowledge that the Australian automotive industry should make a contribution towards a mandated CO2 emissions target specific to Australian conditions.

1.2 AADA strongly supports a whole of Government approach for Australia to meet its target to reduce its greenhouse emissions to 26-28 per cent below 2005 levels by 2030. Those measures include:

- a National Energy Productivity Plan, developed with the Council of Australian Government's Energy Ministers;
- improving the efficiency of vehicles;
- phasing down hydrofluorocarbons which are used in refrigerators and air conditioners;
- developing a strategy to improve the utilisation of solar power; and

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- developing a low emissions roadmap.¹

2. Terms of reference of vehicle emissions working group

2.1 The terms of reference require the working group on vehicle emissions to examine a number of issues including:

- fuel efficiency (CO₂) standards for new vehicles;
- Euro 6/VI noxious emissions standards;
- fuel quality standards;
- emissions testing arrangements for vehicles in conjunction with international regulatory agencies to ensure robust testing;
- Australian Government measures under the National Clean Air Agreement;
- emissions reduction fund and safeguard mechanism – transport measures;
- complementary measures including future infrastructure to support new vehicles, including funding through the clean Energy Finance Corporation; and
- National Energy Productivity Plan.

2.2 AADA's comments are limited to passenger vehicles, SUVs and light commercial vehicles but notes there are currently no Australian standards that regulate emissions from motorcycles. The vehicle emissions discussion paper dated February 2016 outlines a number of options and other complementary measures to reduce emissions all of which need to be considered to develop CO₂ and pollution emissions standards relevant to Australia.

3. Fuel efficiency standards for new vehicles

3.1 Australian consumers have bought a record number of fuel efficient, low emission cars leading to the biggest year-on-growth in the percentage of new cars sold since the National Transport Commission (NTC) began keeping records.² Chief Executive of the NTC Paul Retter said 4.7 per cent of cars sold in 2015 were classified as low emission vehicles (emitted less than 120 grams of CO₂ for every kilometre travelled) compared to 2.8 per cent in 2014. He noted that if all Australians who bought a new vehicle in 2015 bought one with best-in-class emissions, the national average carbon emissions intensity would have dropped by 55 per cent compared to 2014.

¹ Department of Prime Minister and Cabinet 2015, *Australia's 2030 Emission Reduction Target*, viewed 12 April 2016, <<https://www.dpmc.gov.au/sites/default/files/publications/Summary%20Report%20Australias%202030%20Emission%20Reduction%20Target.pdf>>.

² National Transport Commission 2016, *Biggest jump in fuel-efficient car sales since records began*, viewed 12 April 2016, <<http://www.ntc.gov.au/about-ntc/news/media-releases/biggest-jump-in-fuel-efficient-car-sales-since-records-began/>>.

3.2 At the same time Mr Retter noted that Australians have a propensity to purchase heavier vehicles with bigger, more powerful engines, and our fuel prices are lower than European markets. He also referred to the fact that Europeans also have more incentives to purchase low-emission vehicles.

3.3 AADA would support a mandated fuel efficiency CO2 target from 2020 phased-in to meet the Government's 2030 greenhouse emissions target. In the Ministerial Forum in Canberra, AADA raised the need for extensive independent modelling to determine the costs and benefits of mandating an Australian standard which takes into account our unique fleet, the age of the fleet, lack of incentives and driving patterns.

4. Euro 6/VI noxious emission standards

4.1 Most developed countries have now adopted noxious emissions standards based on, or equivalent to, the international Euro 6 emissions standards for light vehicles and the Euro VI emission standards for heavy vehicles.³ We understand this could be achieved in Australia by the adoption and application of United Nations Regulation (UN83). If Euro 6 were to be mandated in Australia it would need to be aligned with the development of a new vehicle model cycle (generally 4-5 years) and therefore 2020 could be an appropriate commencement date.

4.2 It would require the development of new engine and emission technologies and could result in a higher cost of a vehicle to a consumer. Euro 6 should not be implemented without a requirement to use Research Octane Number (RON) 95 petrol which would align with the current Australian standard for automotive diesel which has a sulphur limit of 10 parts per million (ppm).

4.3 The increased cost for a consumer purchasing a vehicle with a Euro 6 Fuel Consumption Label is likely to be higher given the current higher price of 95 RON (current maximum sulphur limit of 55 ppm) compared to 91 RON (current maximum sulphur limit of 150 ppm). This may require additional investment by Australian refineries to reduce sulphur limits in domestic refinery production. The Australian Institute of Petroleum (AIP) has stated that "No further adjustments to Australian fuel quality standards are required to meet identified technology facilitation, urban air quality or climate change emission reduction objectives."⁴ More recently, the AIP in its 2013 Annual Report has stated "any additional investment in Australian refineries that is driven by Government regulation, such as more stringent fuel standards or mandated supply of additional fuels or biofuels will be extremely challenging."

³ Department of Infrastructure and Regional Development 2016, *Vehicle Emissions Discussion Paper*, viewed 12 April 2016,

<https://infrastructure.gov.au/roads/environment/forum/files/Vehicle_Emissions_Discussion_Paper.pdf>.

⁴ Australian Institute of Petroleum 2011, *Downstream Petroleum 2011*, viewed 12 April 2016,

<http://www.aip.com.au/pdf/Downstream_Petroleum_2011_Report.pdf>.

5. Fuel quality standards

5.1 The *Fuel Quality Standards Act 2000* regulates fuel standards for petrol, automotive diesel, autogas (liquid petroleum gas), biodiesel, and ethanol (E85). It regulates the pollutants and emissions which include carbon monoxide, nitrogen oxides, sulphur oxides, volatile organic compounds and particulate matter.

5.2 The principal fuel quality parameter that is regulated to control noxious vehicle emissions is sulphur content, which can affect the durability and operation of emission control systems such as catalysts and particulate filters. The current standard for petroleum sets the maximum sulphur limits at 150 ppm for 'regular' unleaded petrol (91 RON) and 50 ppm for 'premium' unleaded petrol (95+ RON).

5.3 AADA submits the price competitive availability of 10 ppm sulphur petrol should be widely available in Australia prior to a Government mandate of Euro 6. The discussion paper notes that most developed countries have now adopted fuel quality standards that limit sulphur content in petrol to 10 ppm.

5.4 The discussion paper refers to work carried out by a global consulting and advisory firm covering energy and related industries, which ranks Australian petrol quality (based on sulphur limits) at 63 in the world; with only Mexico having the worst petrol quality in the OECD. In comparison, New Zealand has a sulphur limit of 50 ppm for all grades of petrol.

6. Emissions testing arrangements

6.1 AADA agrees with the statement in the discussion paper that a "standardised approach to vehicle emissions testing ensures test results are repeatable and vehicles can be assessed on a common basis." Currently, Australian and international regulators do not require manufacturers to demonstrate their vehicles meets emission limits using on-road testing.

6.2 AADA would support an extensive examination of the new Worldwide Harmonised Light Vehicles Test Procedure which is expected to be adopted by the EU towards the end of 2017. The test procedure must recognise unique Australian driving conditions and support environmental targets.

6.3 Such testing (both current and proposed) should be extended to the announcement to allow the personal import of new motor vehicles as announced by the Government on 10 February 2016. The modelling conducted by the Department of Infrastructure and Regional Development indicates that around 30,000 vehicles per year are expected to be personally imported.

7. Clean air agreement

7.1 AADA supports the Agreement's focus on actions to reduce air pollution, and improve air quality through cooperative action between industry and government at the national, state and local level.

8. Other complementary measures to reduce emissions

8.1 Other complementary measures proposed to reduce emissions include:

- information and education;
- fleet purchasing policy;
- taxation measures; and
- age of fleet.

8.2 Information and education

AADA would support additional measures that provide information and education on the efficiency and environment performance of vehicles to assist consumers to make better informed decisions in considering the purchase of a new motor vehicle. The Government's Green Vehicle Guide website could be updated and include additional information such as a "green star" rating. This should also apply to vehicles that are personally imported and should be considered in the context of the review of the *Motor Vehicle Standards Act 1989*.

8.3 Fleet purchasing policy

The Government's fleet purchasing policy involves a number of competing demands including the cost to the taxpayer. The choice of vehicle brand and model could involve alternative fuels and electric vehicles the uptake of which in Australia has been slow and the vehicles more expensive. A vehicle with an internal combustion engine (ICE) is expected to be the vehicle of choice for most consumers until at least 2030.

8.4 Taxation measures

8.4.1 Taxation as a policy instrument has been used on many occasions both as an incentive, disincentive, to alter consumer behaviour or protect certain sectors of the economy. Many overseas countries and states provide taxation incentives to promote the use of alternative fuels and electric vehicles.

8.4.2 It is estimated that 20 per cent of the cost of a new motor vehicle includes a range of taxes levied by the Australian Government, States and Territories. Where applicable

taxes would include Australia's "absurd" luxury car tax (LCT). This tax impost limits the availability to the consumer of a vehicle containing the latest safety and emissions technology.

8.4.3 AADA and many other bodies have been advocating for the removal of the tax for many years which contributes around \$500 million a year to government revenue. As a minimum the LCT thresholds should be raised or removed in respect of fuel efficient vehicles.

8.5 *Age of fleet*

8.5.1 Australia is one of the most competitive right hand drive markets in the world and over 1.1 million vehicles were sold in Australia in 2015 comprising more than 60 brands and 350 models, 90 per cent of which were sourced from overseas countries. There are approximately 17 million used vehicles in Australia. The average age of Australian vehicles is 10 years which is older than comparable countries. In Great Britain the average age is 7.3 years and in Japan it is 7.5 years. Consideration should be given, as in Japan, to the retirement of vehicles which do not meet standards including emissions or reach a certain age. If a similar system were adopted in Australia there should be scope for certain vehicles to be registered as a specialist and enthusiast vehicle.

8.5.2 We understand that light vehicles account for 10 per cent of Australia's total emissions. While the Australian light vehicle fleet has become more efficient and less emissions-intensive over time, there are opportunities for further improvements.⁵ Improvements in efficiency can be achieved by the retirement of older vehicles from the fleet as well as a mandated CO2 target for new vehicles.

9. AADA

9.1 AADA is the peak industry body representing franchised new car dealers in Australia. There are over 1500 new car dealers in Australia that operate in the order of 2600 new vehicle outlets. Dealerships range from family-owned small businesses to larger businesses including two public companies operating in regional Australia and capital cities across all States and Territories. The franchised dealer network generates revenue in excess of \$72 billion, employs more than 66,000 people, pays wages in excess of \$5.6 billion and has invested around \$17 billion in facilities.

⁵ Climate Change Authority 2012, Opportunities to reduce light vehicle emissions in Australia, viewed 13 April 2016, <http://www.aip.com.au/pdf/Downstream_Petroleum_2011_Report.pdf>.

10. Conclusion

10.1 We thank you for the opportunity to provide a submission in relation to vehicle emissions. If you require further information please do not hesitate to contact me on mobile 0400 366 535, email bmcdonald@aada.asn.au or our Policy Director, Michael Deed, on mobile 0417 742 956, email mdeed@aada.asn.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. J. McDonald', is centered on the page. The signature is written in a cursive style with a large initial 'B'.

Bruce McDonald
Chief Executive Officer