



21 December 2020

The Hon. Tim Pallas
Treasurer
Email: tim.pallas@parliament.vic.gov.au

Dear Minister Pallas,

Proposed electric vehicle tax

The Western Alliance for Greenhouse Action (WAGA) is writing to oppose the imposition of a standalone road usage tax on electric vehicles (EVs) without broader policy reform around sustainable transport and road funding.

WAGA and its response to transport issues in the region

WAGA is a partnership of councils in the west of Melbourne: the Cities of Brimbank, Greater Geelong, Hobsons Bay, Maribyrnong, Melton, Moonee Valley and Wyndham, and the Shire of Moorabool. Our commitment is to address climate change through both carbon mitigation and adaptation by our councils and for the communities in our region.

Transport congestion is recognised as a key socio-economic disadvantage for our region¹. Increasing pollution from internal combustion engine vehicles is also the primary source of air pollution and associated health impacts in the inner west of Melbourne². Furthermore, commuter and freight transport generates 26 per cent of the WAGA region's greenhouse gas emissions, about 4,500 kilotonnes of CO₂-e annually³. In direct response to these problems, the WAGA councils have commenced a project to transition their fleets and services to EVs – to reduce pollution from their vehicles, reduce costs, show leadership in sustainability for their communities and facilitate the market for EVs in Australia.

Problems with the proposed tax

1. Negative impact on the EV industry

The overall and immediate effect of the proposed 2.5 cents per kilometre tax at this time will be:

- Introduction of a \$4,000 disincentive on the purchase of an EV⁴. It will instantly increase the life cycle costs and, in many cases, the running costs of an EV or plug-in hybrid vehicle above an internal combustion engine counterpart⁵.

¹ North & West Melbourne City Deal Plan, 2020-2040, p11

² Inner West Air Quality Community Reference Group, March 2020, *Air Pollution in Melbourne's Inner West*, p33

³ WAGA, 2014, *Low Carbon West*

⁴ University of Queensland (UQ) 2020 study, quoted in Bridie Schmidt, 'EV tax will smash electric vehicles sales and lift emissions, UQ study finds', *The Driven*, November 26 2020

⁵ For example, the EV Council finds that a \$108,000 Lexus RX450H hybrid would attract a fee of \$2.41 for every 100 kilometres travelled (5.7 litres per 100 kilometres fuel economy, at 42.3 centres per litre of fuel excise). By comparison, a Nissan Leaf (typical low end EV which councils would likely purchase for fleets) would be charged \$2.50 per 100 kilometres. Miki Perkins, 'Tech loving geeks' confused by Victoria's electric vehicles tax', *The Age*, 25 November 2020.

- An extra administrative burden, from having to report usage for tax purposes and perhaps even install GPS trackers, especially for fleet managers considering whether and how fast to integrate EVs into their corporate fleets.
- A signal to overseas EVs manufacturers that Victoria does not support them, which will make it harder for local subsidiaries to bring in higher numbers and a greater range of models.
- A barrier to the consequent development of a market for second-hand EVs, which would make EVs affordable even for low income drivers in Victoria, who would especially benefit from the associated lower running costs.

As EVs currently make up less than 1 per cent of cars in Australia, the tax is therefore likely to undermine this industry in its infancy. In fact, the tax is predicted to constrain uptake in general by 25 per cent⁶. At this stage, the sector needs government support rather than a brake on market development if EVs are to replace other vehicles in the mix of cars on Victoria's roads.

2. *Consequent negative social, economic, environmental and health impacts*

The EV industry is critical to the transition away from internal combustion engines – and this transition needs to be facilitated now: 'the economic costs will only continue to get greater – not as a result of EV uptake, but due to low efficiency, high pollution, high costs, and high congestion.'⁷

Of course, the costs are not only economic; the EV tax would be a missed opportunity to improve air quality in cities. To improve health outcomes, it is particularly urgent to replace diesel vehicles, which have increased to 25.6 per cent of the national fleet, up from 19.7 per cent in 2015⁸.

The tax will also widen the affordability gap for EVs – the new efficient technology – between relatively affluent and low income Victorians; it will increase socio-economic disadvantage.

3. *Mixed and confusing messages*

The tax contradicts the intent of numerous government programs and the findings of recent reports that support EVs. To name just a few of particular relevance to councils, these include:

- The development of the Victorian Government's own *Zero Emissions Vehicle Roadmap*, including background papers and research, currently promoted by the Government as important in overall planning for decarbonisation⁹.
- The report of the parliamentary inquiry into tackling climate change in Victorian communities, just released. That report includes a recommendation '[t]hat the Victorian Government support the integration of electric vehicles into local government fleets' as well as recommendations to support a regional fast charging network and other measures specifically designed to increase EV uptake¹⁰.
- Roll-out of a coordinated network of charging infrastructure underway by a coalition of councils including WAGA members through the Charging the Regions project. This project is designed to boost tourism and economic development and is facilitated by the Victorian Government's *Building Works* funding.
- Announcement in this year's state budget of funding for trials of electric buses.
- Commonwealth finance for EVs through the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA), based on their modelling which finds that reducing

⁶ Bridie Schmidt, *op cit*.

⁷ *ibid*.

⁸ [Motor Vehicle Census, Australia, 31 Jan 2020 | Australian Bureau of Statistics \(abs.gov.au\)](https://abs.gov.au)

⁹ Department of Environment, Land, Water and Planning, Zero emissions vehicles: Part of our transition to a net zero emissions economy: <https://www.energy.vic.gov.au/renewable-energy/zero-emissions-vehicles>. Accessed 30 November 2020

¹⁰ Parliament of Victoria, Legislative Assembly Environment and Planning Committee, November 2020, *Report of the Inquiry into tackling climate change in Victorian communities*, pp198-188

greenhouse emissions associated with transport is essential to decarbonise Australia's economy and that encouraging investment in EVs is central to achieving that¹¹.

- *Clean Air For All Victorians*¹². In 2013, the Victorian EPA partnered with CSIRO to predict what Melbourne's air quality would be like in 2030. EPA and CSIRO assessed expected trends in air pollutants from 2006 to 2030, under a 'business as usual' scenario with population and economic growth, a warming and drying climate, and current air quality management actions. They predicted population exposure to particulate matter and ozone is likely to increase, due to increases in population and a drying climate. Greater uptake of EVs now would start to reverse this trend.

4. **Not the way to reform and fund road usage**

WAGA is not opposed to reforming road usage in Victoria to address transport emissions. In fact, the Alliance would actively support a holistic policy, such as the one established by the ACT Government with its Climate Change Strategy 2019-2025. With this, the ACT Government is encouraging more sustainable transport options including greater use of public transport and active travel as well as a shift to zero emissions vehicles. The ACT's Transition to Zero Emissions Vehicles Action Plan 2018-2021 is a 'key focus' of its broader transport strategy¹³.

The proposed EV tax in Victoria, however, will not support a similar transition in Victoria if introduced at this time, for the following reasons:

- As the Victorian, Commonwealth and ACT Governments' various reports and plans, already mentioned, show, EVs are unambiguously recognised as an essential part of a zero carbon transport scenario with improved air quality. They should therefore not be disincentivised, even without any further support, and especially should not be singled out for extra taxation before broader reform.
- The need to fund road maintenance is not a valid argument for the tax. There is no evidence that the EV tax would or should be hypothecated to road maintenance anyway. While the *source* of taxation can and does shape the economy (in this case, to constrain development of one sector), it is not linked directly to the *expenditure* of taxation revenue. In Australia, road maintenance is paid through consolidated revenue. As Richard Denniss of The Australia Institute argues, if we were to organise fair payment for building and maintaining roads, we would do better to introduce mass distance pricing for heavy vehicles. Fuel excise for trucks is low (25.8 cents per litre) compared to excise on passenger vehicles (42.3 cents per litre) despite the fact that a truck can cause up to 20,000 times more road damage than a car. Furthermore, fuel excise for heavy vehicles has actually reduced in recent years and this has been accompanied by a significant shift from rail freight to trucks.¹⁴
- The health cost savings from replacing internal combustion engine vehicles, particularly diesel-powered vehicles, with EVs will more than pay for subsequent road maintenance costs. New research reveals that every time an EV replaces another vehicle on NSW roads, health costs are reduced by \$3,690 over a ten-year period. The new report, *Cleaner and Safer Roads for NSW*, finds emissions from internal combustion engine vehicles in the Sydney-Newcastle-Wollongong area creates \$3 billion in health costs every year. Of that pollution, 52% comes from exhaust emissions¹⁵. The results from a study by the European Public Health Alliance clearly demonstrate that the major share of all air pollution costs from road transport are caused by diesel emissions¹⁶.

¹¹ Clean Energy Finance Corporation, Green Vehicles: <https://www.cefc.com.au/where-we-invest/sustainable-economy/green-vehicles/>, accessed 30 November 2020.

¹² [Victorian Air Quality Statement :: Engage Victoria](#)

¹³ ACT Government Fact Sheet: 'Plug into the future: zero emissions vehicles in the ACT'

¹⁴ Richard Denniss, 25 November 2020, 'Instead of taxing electric vehicles, heavy vehicles should pay more for the damage they cause', The Australia Institute

¹⁵ [Electric vehicles to cut billions from NSW health costs - Asthma Australia](#)

¹⁶ [Health impacts and costs of diesel emissions in the EU – November 2018 embargoed-until-27-november-00-01-am-cet-time-ce-delft-4r30-health-impacts-costs-diesel-emissions-eu-def.pdf \(epha.org\)](#)



- Australia is already behind the rest of the world in supporting EVs. By contrast with Australia, Norway has a goal to phase out internal combustion engine vehicles by 2025. Unless we have a policy which takes into account the global landscape, we risk Australia becoming a dumping ground for inefficient and polluting cars.

Countries like Norway and Sweden offer alternative models for reform that actually could facilitate a transition to a zero emissions transport system by addressing road usage, planning and congestion at the same time. These comprehensive strategies may indeed include road usage charges, designed to reduce emissions and congestion and based on a vehicle's environmental footprint and other factors such as where and when a vehicle is driven. In Norway, where such charges are now being considered, the city of Oslo reached a milestone of 50,000 EVs in July 2020. In the words of one local commentator, 'In Oslo, the air is cleaner, the roads are quieter and the space for public transport, cycling and walking to flourish increases as combustion engines are relegated – slowly – to history'¹⁷.

Recommendations

Accordingly, WAGA recommends that the Government:

- *Consult with key stakeholders about wider reform before committing to this tax.* In this regard, councils are an important interest group in their roles as land use planning authorities and fleet managers, and for their ability to show significant leadership and innovation in the transition to sustainable transport. The WAGA councils are among 47 Victorian councils currently developing a joint power purchase agreement (PPA) to power their electricity usage through renewable energy, and most WAGA members are contributing 100% of their electricity load to this endeavour. Following the completion of this project in 2021, the next big target for decarbonising councils' energy use will be fleets.
- *Ensure that any reform of the transport system and road usage in Victoria supports rather than threatens the nascent EV industry.* We recommend a comprehensive strategy designed to lead to a fairer and more sustainable transport system, which promotes alternatives to cars and takes into account the impacts of heavy vehicles – a strategy focused on mobility and the needs of a future economy and which avoids locking in outdated technology. If road usage charges are included in the overall strategy, they should be designed to incentivise zero and low emissions vehicles over their internal combustion engine counterparts.

The WAGA councils would welcome the opportunity to provide input into the recommended reforms based on our on-the-ground experience and developing plans. We look forward to further engagement and consultation by the state on this issue.

Yours sincerely,

Fran Macdonald
Executive Officer
Western Alliance for Greenhouse Action

¹⁷ Ketan Joshi, 'The electric recipe of Norway's zero emissions transport boom', *The Driven*, July 10 2020
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