

13 April 2021

The Hon. Tim Pallas
Treasurer
Level 4, 1 Treasury Place
MELBOURNE 3002

Via email: tim.pallas@parliament.vic.gov.au

Dear Treasurer,

RE: Proposed electric vehicle tax

The Eastern Region Group of Councils (ERG), Eastern Alliance for Greenhouse Action (EAGA) and the Eastern Transport Coalition (ETC) are writing to oppose the imposition of a standalone road usage tax on electric vehicles (EVs) without broader policy reform and concurrent initiatives to support sustainable transport, zero emission vehicles, and fair transport pricing and road funding to ease congestion, transport related pollution and reduce carbon emissions.

The ERG, EAGA and ETC are formal Alliances of councils in Melbourne's East. The ERG is a forum for the region's Mayors, Deputy Mayors and CEOs who work with regional groups such as the EAGA and ETC and other stakeholders on shared priorities. EAGA is committed to delivering mitigation and adaptation projects and advocating for initiatives that support sustainable, low carbon communities. The ETC advocates for sustainable and integrated transport services that reduce car dependency for the one million residents in Melbourne's East.

The ERG, EAGA and ETC urge the State Government to consider the following issues associated 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 will be:

- A \$4,000 disincentive on the purchase of an EV¹. 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 counterpart².
- An 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 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.

¹ 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

² 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.

As EVs currently make up less than 1 per cent of cars in Australia, the tax is likely to undermine this industry in its infancy. In fact, the tax is predicted to constrain uptake in general by 25 per cent³. The sector needs government support rather than a brake on market development for EVs to replace vehicles on Victoria's roads.

2. 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.'⁴

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 2015⁵.

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. These include:

- The Victorian Government's *Zero Emissions Vehicle Roadmap*, including background papers and research promoted by the Government as important in overall planning for decarbonisation⁶.
- The report of the parliamentary inquiry into tackling climate change in Victorian communities. The report includes a recommendation '[that] 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 uptake⁷.
- Roll-out of a coordinated network of charging infrastructure underway by a coalition of councils including EAGA 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 greenhouse emissions associated with transport is essential to decarbonise Australia's economy and that encouraging investment in EVs is central to achieving that⁸.
- *Clean Air For All Victorians*⁹. 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.
- National tax-based subsidies that encourage fossil fuel production and consumption are estimated at ~\$12 billion every year (approximately \$468 for each Australian)¹⁰ despite profound negative impacts on health and the environment.

4. Not the way to reform and fund road usage

While not opposed to the reform of transport pricing in Victoria to optimise road performance and address transport emissions by steering changes in travel behaviours, we would support a holistic transport pricing model

³ Bridie Schmidt, *op cit*.

⁴ *ibid*.

⁵ [Motor Vehicle Census, Australia, 31 Jan 2020 | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/australian-bureau-of-statistics/collections/tables/4712015)

⁶ 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

⁷ Parliament of Victoria, Legislative Assembly Environment and Planning Committee, November 2020, *Report of the Inquiry into tackling climate change in Victorian communities*, pp198-188

⁸ Clean Energy Finance Corporation, Green Vehicles: <https://www.cefc.com.au/where-we-invest/sustainable-economy/green-vehicles/>, accessed 30 November 2020.

⁹ [Victorian Air Quality Statement :: Engage Victoria](https://www.vic.gov.au/air-quality-statement)

¹⁰ www.marketforces.org.au/campaigns/ffs/tax-based-subsidies

as recommended by Infrastructure Victoria in the 2020 update of the Draft Victorian 30-Year Infrastructure Strategy. We would support the introduction of an efficient, fair and sustainable transport pricing model with the following components:

- Peak and off-peak public transport fares to discount off peak travel on public transport.
- Differential pricing for each public transport mode to reflect the true costs and benefits and encourage the best use.
- Removal of the free tram zone.
- Congestion pricing for all new metropolitan freeways.
- Full scale congestion pricing in inner Melbourne.
- All private & commercial vehicles, regardless of power source, charged by kilometre travelled.
- Incentives to support electric vehicle uptake, such as waiving annual registration fees, providing rebates on the initial cost of the vehicles or discounted fees per km travelled.
- Phase out fixed road user charges and introduce user pays charging.

Transport pricing should be complemented by low carbon transport policy, as established by the ACT Government with its Climate Change Strategy 2019-2025. With this, the ACT Government encourages 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 strategy¹¹.

The proposed EV tax in Victoria will not support a similar transition for 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 an essential part of a zero carbon transport scenario and improve air quality. They should not be disincentivised, and even without any further support should not be singled out for extra taxation.
- 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. 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.¹²
- 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 report, [Cleaner and Safer Roads for NSW](#), finds emissions from internal combustion engine vehicles in the Sydney-Newcastle-Wollongong area create \$3 billion in health costs every year. Of that pollution, 52% comes from exhaust emissions¹³. A study by the European Public Health Alliance clearly demonstrates that the major share of all air pollution costs from road transport are caused by diesel emissions¹⁴.
- Australia is already behind the rest of the world in supporting EVs. Norway has a goal to phase out fossil fuel 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. The introduction of initiatives to bring more electric vehicle models into the Australian market and to lower the price is vital to affordable and attractive vehicles to buyers. For equitable access to electric vehicles the introduction of stronger vehicle emission standards, financial subsidies/loans to individuals for initial electric vehicle purchases and investment in a state wide charging network must be considered.
- Public transport is a major point of entry for electric vehicles to accelerate low carbon transport. The Victorian Government can take the lead by requiring all new public transport buses and coaches in fleets to transition to appropriate zero emission vehicles over the next five years.

¹¹ ACT Government Fact Sheet: 'Plug into the future: zero emissions vehicles in the ACT'

¹² Richard Denniss, 25 November 2020, 'Instead of taxing electric vehicles, heavy vehicles should pay more for the damage they cause', The Australia Institute

¹³ [Electric vehicles to cut billions from NSW health costs - Asthma Australia](#)

¹⁴ [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 \(epha.org\)](#)

To accelerate transition and avoid negative impacts (such as congestion) the experience of other countries is informative. Norway and Sweden's models for reform facilitate a transition to a zero emissions transport system by addressing electric vehicle affordability, road usage, planning and congestion at the same time. These comprehensive strategies could include road usage charges, designed to reduce emissions and congestion 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'¹⁵.

Recommendations

Accordingly, we recommend that the Government:

- **Consult with key stakeholders about wider reform before committing to this tax.** Local Government is an important stakeholder 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. For example, EAGA councils are among 47 Victorian councils currently developing a joint power purchase agreement (PPA) to power their electricity usage through renewable energy with most EAGA members contributing 100% of their electricity load to the PPA. Following the completion of this project in 2021, the focus for decarbonising councils' energy use will be council fleets.
- **Ensure that any reform of the transport system and road usage, especially transport pricing in Victoria avoids congestion and supports equitable access and a just transition to all sustainable transport, including electric vehicles.** We recommend a comprehensive strategy designed to lead to a fairer, just and more sustainable transport system, which promotes alternatives to cars and considers the impacts of congestion, car dependency and transport related pollution and carbon emissions. If road usage charges are included in the overall strategy, they should be integrated into a broader transport pricing model designed to support a fair transition to low emission vehicles and incentivise all modes of sustainable transport over their internal combustion engine counterparts.

We would welcome the opportunity to provide input into the recommended reforms based on our on-the-ground practical and strategic experience and look forward to further engagement and consultation by the State on this issue.

If you have any questions or queries relating to this letter, please contact Scott McKenry, EAGA Executive Officer, on scott.mckenry@maroondah.vic.gov.au or 03 9298 4250.

Yours sincerely,



Cr Kylie Spears
Chair, Eastern Region Group
of Councils
Mayor, Maroondah City
Council



Cr Marijke Graham
Executive Committee Chair
Eastern Alliance for
Greenhouse Action
Councillor, Maroondah City
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Cr Stuart James
Chair of the Eastern Transport
Coalition,
Councillor, Monash City Council

¹⁵ Ketan Joshi, 'The electric recipe of Norway's zero emissions transport boom', *The Driven*, July 10 2020