



The Fuel Efficiency Standard –

Cleaner, Cheaper to Run Cars for Australia - Consultation

Consultation paper dated 19th April 2023

Submission by the Association Of Motoring Clubs, Victoria.

Preamble

The Association Of Motoring Clubs (AOMC) is made up of approximately 250 member clubs comprising some 45,000 motoring enthusiasts in Victoria. The Association, run by volunteers, represents all Victorian hobby motorists, including vintage, veteran and classic car, motorcycle and truck enthusiasts.

In general, the AOMC supports the objective of this policy but wishes to ensure that there are no unintended consequences on what may best be described as our motoring heritage.

By motoring heritage, the AOMC does not restrict itself to the very old, or even the old, as quite recent vehicles of significance or which may be described as “specialist and enthusiast vehicles” also form part of that heritage.

Whilst the policy is clearly aimed at new vehicles being supplied to the Australian market for the first time for use in transport, it appears to also capture much older vehicles being imported into Australia for whatever purpose.

Such vehicles represent a minimal threat to the objectives of this policy, but this policy poses a very significant threat to such vehicles and, as such, the ability to maintain, expand or improve our motoring heritage.

Whilst some of these vehicles may fail the limit set for a corporate or model “average” (being potentially an average of one) they will almost certainly emit far less CO₂ per year, or per vehicle lifetime, than those mainstream models allowed in unfettered simply because they generally cover very few kilometres per year.

Modifying heritage vehicles is not a responsible option, but modifying the policy is.

In the same vein, the AOMC has a concern about relying solely on a per km test result without considering both the likely annual distance for the vehicle type and its usage pattern. The CO₂ emission is obtained from a test originally designed to allow consumers to compare the economy of one vehicle model with another. Whilst this test has been enhanced over the years there is no direct linkage to the actual performance in actual use, or even in the type of use typical for that vehicle type.



For example, utes may typically travel many more kms per year than smaller family hatchbacks yet the averaging system, based on a per km result, even adjusted by attribute weighting based on mass or footprint, treats them both the same. Utes may also typically return real world economy (and hence CO2 emissions) which is more removed from the test results than smaller family hatchbacks. Combined, these aspects can unfairly penalise certain vehicle classes.

Additionally, the sportier versions of some smaller models, which still have relatively low emissions, do not get any offset or adjustment despite having emissions far lower than the more popular larger vehicle such as those in the light commercial (NA) category which are heavily represented in the top selling “passenger car” list.

In particular, the AOMC has a concern about applying this averaging to heritage or enthusiast vehicles (relatively new or old) which will nearly always cover annual distances an order of magnitude lower than mainstream vehicles. Whilst the simple per km average is administratively convenient, the AOMC seeks an alternative approach, available on demand, with, if needed, a carbon offset payment to allow for any unexpected excesses – much as is afforded to industrial emitters.

Comments of specific questions

GENERAL guiding principles

- Are these the right guiding principles? Are there other principles that you think we should keep in mind?

These principles are correct.

However, this policy is, almost by definition, not going to improve access for all Australians to the vehicles they need for work and leisure. The cost of new vehicles will inevitably rise and the greatest percentage rise will fall on the lowest cost vehicles and the lowest emitting vehicles.

By policy design there will be a switch to electric vehicles which will disadvantage those on the lower incomes or in housing without access to a garage in which to recharge it.

Whether that is balanced in the longer term by improved air quality and mitigated climate change is beyond our knowledge.

We have touched on some other potential unintended consequences dear to our heart above.

GENERAL Design assumptions

- Are there any design assumptions that you think will put at risk the implementation of a good FES for Australia?
- Are the exclusions for military, law enforcement, emergency services, agricultural equipment and motorcycles the right ones?

The design assumptions are reasonable, practical and expected.

The AOMC understands the need to prevent the sales of new vehicles being displaced by a flood of used imported vehicles which become attractive because of the increased cost to new vehicles arising from the FES scheme. The scheme therefore is set to apply to “used vehicles imported for immediate sale”.

It is clearly not feasible to try and retrospectively modify existing vehicle to reduce CO2 emissions as the technology involved is deeply embedded in the very core of the drive train.

This may, therefore, effectively prohibit the importation of any used vehicles, including those which are not intended for mainstream “daily drive” use.

How the averaging system will apply to single vehicle importations is not stated.

Nor is there any guidance on what “for immediate sale” means. The immediate sale may be to a museum which has no intention of registering the vehicle for road use yet would still be captured.

The general design assumptions fail to take into account the legitimate importation of what one may call specialist and enthusiast vehicles for limited, or no, road use. Existing importation rules should be used to determine which vehicles can be imported without the application of a FES, even if a one-off carbon offset payment is required.

We note, however, that there are exemptions for small volume and niche suppliers which will almost certainly apply to most, if not all, importers of used vehicles whose volume per year are restricted by other mechanisms.

We therefore suggest that a general exemption for used imported vehicles be included and, if that is not acceptable, exclude vehicles imported for non-road use, those over, say, 25 years old and apply concessions to specialist and enthusiast vehicles.

GENERAL FES Design features

- Are there any particular FES features that you think we need to take particular care with?

The AOMC offers no additional design features over and above the issues already discussed.

GENERAL Starting emissions level limit and approach

- What principles should we consider when setting the targets?

Given that the Australian top selling vehicles comprise many vehicles which would be called light trucks in the USA and which have much lower sales penetration in the EU, combined with an as yet under-developed electric vehicle recharging infrastructure, the AOMC suggest the starting point for the emission limits should more closely align with, or perhaps slightly exceed, those in the USA.

Turning around market preferences will take time so the limits should decline gradually at first and then more quickly as the market adapts.

GENERAL Adjustments of limit level

- How many years ahead should the Government set emissions targets, and with what review mechanism to set limits for the following period?
- How should the Government address the risks of the standard being found to be too weak or too strong while it is operating?

The AOMC offers no comment on these issues.

TECHNICAL Attribute-based emissions limit curve

- Should an Australian FES adopt a mass-based or footprint-based limit curve?
- If Australia adopts a mass-based limit curve, should it be based on mass in running order, kerb mass, or another measure?
- Should Australia consider a variant of the New Zealand approach to address incentives for very light and very heavy vehicles? If so, noting that new vehicles that weigh under 1,200 kg are rare, where should the weight thresholds be set?

If the objective of these attribute-based limits is to ensure that Australian have access to the vehicles they love, then the AOMC suggests that an additional attribute based on sportiness, or enthusiast appeal, is included so as to not overly penalise such vehicles whilst letting larger higher emitting vehicles off the hook.

TECHNICAL Multiple targets

- Should an Australian FES adopt two emissions targets for different classes of vehicles?
- Is there a way to manage the risk that adopting two targets erodes the effectiveness of an Australian FES by creating an incentive to shift vehicle sales to the higher emission LCV category?
- Is there anything else we should bear in mind as we consider this design feature?
- Are there other policy interventions that might encourage more efficient vehicle choices?

The AOMC has concerns about simply applying a g/km result to vehicles without regard for the typical distance travelled per year by different vehicle types.

Utes purchased as commercial vehicles and other larger 4WD type vehicles tend to cover more kilometres per year than the average, resulting in far greater emissions which would compound the damage done by a more generous g/km limit.

Conversely most enthusiast vehicles travel far fewer kilometres per year yet would not get any concession under the scheme as proposed.

The AOMC suggests that the typical distance travelled per year by each model, or variant in some cases, should be factored in. This information is available to suppliers to the market from service data and other sources.

Additionally, to allow consumers the choice of higher emitting enthusiast vehicles, a form of distance charging could be applied to these vehicles with a fee levied for any annual distance over, say, 3,000 km per year. This charge may need to be administered by the States or Territories as Victoria already does. Distance charging seems an inevitable result of switching to electric vehicles whose fuel can not be taxed.

Any such fees or fines should be used to purchase carbon offsets.

TECHNICAL Credit banking, transferring and pooling.

- To what extent should the Australian FES allow credit banking, transferring and/or pooling?
- Should credits expire? In what timeframe?

The AOMC consider such arrangements essential to allow the ongoing supply of enthusiast vehicles without unnecessary impost.

TECHNICAL Multipliers for LZEVs

- Should an Australian FES include multiplier credits for LZEVs?
- If so, what level should the multipliers be, should they apply equally to both classes of vehicle (if adopted) and for how long should they apply?
- Should the total benefit available from these credits be capped?
- If not, should the Government consider another approach to incentivising the supply and uptake of LZEVs?

The AOMC offers no comment.

TECHNICAL Off-cycle credits

- Should an Australian FES include off-cycle credits for specified technologies?
- If so, should the per-vehicle benefit be capped and how should an Australian FES ensure that off-cycle credits deliver real emissions reduction?
- Should the Government consider any other form of off-cycle credits for an Australian FES?

The AOMC offers no comment.

TECHNICAL Air conditioning refrigerant gas credits

- Should an Australian FES include credits for using low global warming potential air conditioning refrigerants, and if so, for how long should this credit be available?
- Could the issue of high global warming potential refrigerants be better dealt with by another policy or legislative framework?
- If such a credit is permitted, should the emissions target be lowered to ensure consumers realise the fuel cost savings and LZEV availability benefits of a FES?

In general, the AOMC offers no comment on this issue except that, if the FES is to apply in any way to imported used vehicles, a credit be granted to those which do not have air conditioning.

TECHNICAL When should a FES start?

- When do you think a FES should start?
- How should the start date interact with the average annual emissions ceiling?
- Should the Government provide incentives for the supply of LZEVs ahead of a FES commencing? If so, how?

The AOMC offers no comment.

TECHNICAL Penalties for each gram per kilometre

- What should the penalties per gram be? Would penalties of AUD\$100 per gram provide a good balance between objectives? What is the case for higher penalties?

The AOMC offers no comment.

TECHNICAL Small volume and niche manufacturers

- What, if any, concessional arrangements should be offered to low volume manufacturers and why? If so, how should a low volume manufacturer be defined?

The AOMC contends that used imported vehicles should be classified as “small volume or niche” vehicles regardless of the actual numbers set here for new vehicles, and certainly vehicles imported outside the SEVS scheme should be.

There are existing “low volume” definitions used for determining compliance with safety standards which can be utilised here even if the manufacturer has not availed itself of that concession.

TECHNICAL Information that suppliers will need to keep and supply.

- The Government is keen to ensure any regulatory administrative costs are kept to a minimum while ensuring that outcomes are robust. What should the department keep in mind in designing the system for suppliers to provide information and in relation to record keeping obligations?
- What should the reporting obligations be? What information should be published and how regularly?
- How long should suppliers keep required information?
- Is a penalty of 60 penalty units appropriate for this purpose?

The AOMC offers no comment except that if used imported vehicles are to be included, even if without penalties, the reporting obligation be discharged at the time the import approval is granted by capturing the CO2 emission value as part of the import approval application.

TECHNICAL Other regulatory mechanisms

- Should the regulator be the department? What other options are there?
- How should the regulated entity be defined in an Australian FES?
- What reasons are there to depart from the standard regulatory tool kit for an Australian FES?
- Should an Australian FES use WLTP test results in anticipation of the adoption of Euro 6 and if so, what conversion should be applied to existing NEDC test results, or how might such a factor be determined?

On the issue of test standards, the AOMC strongly objects to any measure which would require the testing of vehicles for which there is no existing emission test result, such as those built before ADR 81/x came into existence. For these vehicles, should they be included in this scheme, an emission result should be calculated from published fuel economy data, such as in manufacturer's sales brochures or contemporary magazine road test reports.

Whilst it is outside the expertise of the AOMC, we note that it appears that the entity submitting VINs to NEVDIS needs an ACN and is thus an Australian registered company and subject to Australian law. By tightening the linkage between this VIN submitter and the holder of the IPA such that the submitter of VINs must be the sole entity authorised by the IPA holder and that VINs prefixed by that IPA holder's WMI can only be submitted by that authorised entity, an Australian legal entity who can be responsible for any FES reporting or fines is established. In almost all cases, the VIN submitter is a part of, or sub-contracted by, the actual supplier(s) to the market.