



New Vehicle Efficiency standards

Submission to Department of Infrastructure,
Transport, Regional Development,
Communications and the Arts
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Introduction

Thank you for the opportunity for the Housing Industry Association (HIA) to provide a submission on the proposed Australian New Vehicle Efficiency Standard (NVES).

About HIA

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 200,000 new homes each year through the construction of new housing estates, detached homes, low & medium-density housing developments, apartment buildings and completing renovations on Australia's 10 million existing homes.

HIA members comprise a diverse mix of companies, including volume builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

HIA exists to service the businesses it represents, advocate for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry.

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population.

Within this context as it relates to the NVES, HIA's members are not involved directly in the selling, manufacturing or supplying vehicles that would be captured by the proposed NVES.

Rather HIA members are direct consumers and hugely reliant on those vehicles that would be captured by the NVES, particularly utes and other light commercial vehicles.

General comments

There has been extensive commentary on the impact the proposed fuel emissions standards will have on the cost and availability of various car types under the proposed new laws.

On one hand the Government has said that the new emissions standards won't increase the costs of utes, 4WD's or other light-commercial vehicles nor restrict access to these types of vehicles going forward.

However, other industry experts have indicated that modelling they have undertaken indicates that the new laws would add significant upfront costs and likely result in car manufacturers needed to scale back the key types of vehicles that our industry relies on to run and operate their businesses.

Whilst we understand and support the intent of the proposed emission standards in reducing fuel costs and lowering overall emissions, however, the uncertainty of new laws and the competing information being released is not helpful.

For the building industry utes and other light commercial vehicles are the key tool tradies and builders rely on for running and operating their businesses.

Over the past three years, the building industry has faced significant construction price increases, arising from material and labour shortages, as well a range of changes to building, WHS, taxation and business compliance costs.



Any further added costs, complexities or regulatory impediments being layered over the top of our industry at this time will only make their jobs harder and have downstream impacts on housing supply and affordability.

As such, HIA is not opposed to the introduction of the NVES.

However, how the NVES is implemented is critical including on its timing, scope of coverage, consideration of alternate approaches on its introduction and downstream impacts on businesses to minimise its impact.

The following outlines HIA's concerns in the implementation of the NVES as proposed in the consultation paper.



The cost to consumers

Australia has one of the most diverse automotive sectors in the world, with a wide range of makes and models available to consumers.

Notwithstanding, Australian consumers pay much higher prices for vehicles than consumers in Europe, the United States and most other developed countries.

Any new policies or standards must have regard for the affordability of vehicles, while maintaining the diversity of makes and models.

In discussing the proposed NVES with the automotive industry and likes of Australian Chamber of Commerce and Industry (ACCI) they have indicated that if the NVES is adopted in its current form it is likely to substantially increase the cost of vehicles to Australian consumers.

Given the NVES would apply significant penalties to the vehicle manufacturer, it is expected that this would be passed on to the domestic automotive dealer and ultimately to the consumer, and in our case the builder/tradie with sharp increases in the retail price of a number of key vehicles our industry relies on for the operation of their business.

HIA would like to see a different set of consideration of the NVES as it relates to consumer vehicles, as opposed to vehicles used as part of running and operating a business and potential exemptions applied.



The targets

The Consultation Paper makes clear the government's preference for the fast start and flexible approach (option B), which involves a 61 per cent reduction in CO₂ intensity by 2029 for passenger vehicles and 62 per cent reduction for light commercial vehicles.

There are currently no internal combustion engine (ICE) and very few hybrid vehicles in the market that can achieve the 2029 targets. While some plug-in hybrid electric vehicles (PHEVs) claim a fuel efficiency around 2.0 l/100km, actual fuel efficiency is more than triple this once the battery is discharged.

There is even less volume of hybrid or electric utes or light commercial vehicles in the market.

It is considered that the market, particularly in the light commercial vehicle range, is not as responsive as the consultation paper outlines.

These targets and the rate of decline are unrealistic and are unlikely to be achieved without severe pain for vehicle manufacturers, new car dealers and consumers.

Most vehicle models in the Australian market have a production life of five years or more. Further, the period from concept to design and then production of a vehicle is over five years.

It is unrealistic to expect a 60 per cent decline in CO₂ emissions to be achieved in the life of a single production model. It needs to be recognised that the cars that will be sold in the Australian market in 2029 are either already in production or are currently being designed — relying on technology that is available today.

Therefore, the 2029 targets appear unachievable and can only be expected to result in severe penalties on car manufacturers, which will be passed onto car dealers and consumers, substantially increasing the cost of new vehicles sold in the Australian market.

This for our industry increasing the cost for the purchase of vehicles, would ultimately have downstream impacts on the running and operation of their business which in turn impact on housing supply and affordability.



Differentiate between utes and passenger vehicles

As we understand it In Australia, the three top selling vehicles are utes, those being - Ford Ranger, Toyota Hilux and Isuzu D-Max), with these three models representing over 15 per cent of total vehicle sales.

The proposed NVES will be applied to commercial vehicles, including utes, up to 4.5 tonnes GVM. Applying stringent efficiency standards with harsh penalties will substantially drive up the price of these vehicles.

While utes are classified as light commercial vehicles, which have a slightly higher CO₂ target, more concerning is that the NVES will treat large 4-wheel drives, such as the Toyota Landcruiser, Ford Everest and Isuzu M-UX, as passenger vehicles.

Despite having the same chassis and drive-train as utes, because of their body shape they are classified as passenger vehicles.

As a result, these large 4-wheel drives will be required to meet the same low CO₂ emissions targets as the smallest 4-cylinder cars. It will not be possible for them to meet the low emissions targets set for very small vehicles, so the price of these vehicles can be expected to increase dramatically under the new penalties.

It needs to be recognised that utes and 4-wheel drives are essential vehicles for trades people as well as those who work in agriculture, tourism, utility and emergency services.

They are particularly important in rural and regional Australia where they are driven long distances, often over very rough roads or off-road, and either tow or carry heavy payloads.

There are currently no alternative low and zero emissions vehicles (LZEVs) in the Australian market that provide the same performance as utes and large 4-wheel drives. These vehicles are the most reliable and pragmatic tool.

Nor is there the relevant infrastructure in place across the country to support wide scale adoption and changes to vehicle types used.

In regional Australia, industry experts advise that a proposal to roll out charging stations at 150 km intervals will not be adequate to meet the needs of the many farmers and other key employment sectors in regional Australia.

A practical solution is to exclude utes, vans and other key light commercial vehicles purchased by trades people, regional Australians and emergency services from the aggregate fleet CO₂ emissions reduction target applied to manufacturers.



Aligning with the United States fuel efficiency standard

The consultation paper contends the composition of the United States automotive sector is similar to Australia and recommends that the Australian NVES should aim to align with the United States by 2028.

If Australia is to follow this path, then HIA suggest we must wholly adopt the US model, not partial adoption.

As we understand it, the structure of the US fuel efficiency standards is very different from the one that is being proposed for Australia in the consultation paper. The US fuel efficiency standard exempts vehicles weighing the equivalent of 3.6 metric tonnes.

This explains the prevalence of utes and larger utility vehicles on American roads, as they are not covered by the US fuel efficiency standards.

If the government wishes to align the NVES with the US fuel efficiency standard, then it should apply the same weight load exemption as the US — 3.6 metric tonnes.

This would exempt larger 4-wheel drives and some utes from NVES, ensuring farmers, trades people, utility and emergency services have access to the vehicles needed to support their business and operations.

Consumer demand

The focus of the NVES is solely on the supply side, with little consideration of consumer demand. There are few incentives to shift consumer demand towards LZEVs.

As noted above, Australians have shown an increasing preference for larger utes and SUVs. It will take time and considerable effort to change these consumer preferences, particularly in regional Australia.

For manufacturers and new car dealers, consumer preference is the core consideration. There is no point importing a LZEV if that is not what consumers are demanding. It will simply remain on the showroom floor unsold, at a high cost to the dealer.

While consumers preference for EVs is growing, with increasing diversity in brands and models and lower prices, it still greatly lags demand for ICE vehicles. Only 7.2 per cent of vehicles sold in Australia in 2023 are solely electric, with hybrids making up a further 8.1 per cent of the market.

There are some tax incentives to drive increased demand for hybrid and EVs to encourage employees to purchase an EV as part of their salary package, but the impact has been small.

In parallel with the NVES, consideration also needs to be given to measures that change consumer preferences, including direct incentives for the purchase of LZEVs.



Organisation questionnaire response

Privacy Setting: I agree for my response to be published with my name and position.

What organisation do you represent? (required)	Housing Industry Association (HIA)
What is your name? (required)	Simon Croft
What is your position at the organisation? (required)	Chief Executive - Industry & Policy
Please rank the proposed options in order of preference. (optional)	Option A - 0th, Option B - 0th, Option C - 0th
Briefly, what are your reasons for your choice? (optional, 3000 character limit)	HIA would like to see greater suite of options including exemptions for business operations that rely on use of utes and other light commercial vehicles similar o the US model. Please refer to our submission for further detail.
Do you support the Government's preferred option (Option B)? (optional)	NULL
Do you have any feedback on the analysis approach and key assumptions used? (optional, 3000 character limit)	Please refer to our submission
Briefly, describe how the NVES might impact your organisation (optional, 3000 character limit)	Please see attached submission.
Who should the regulated entity be? (optional, 3000 character limit)	Please see attached submission.