



Australian
Automobile
Association

OUR JOURNEY TO GREENER MOBILITY

2021



A practical and achievable approach

Helping Australians into more fuel-efficient vehicles is a high priority with obvious benefits.

The fuels and technologies driving the global car fleet are changing rapidly and they have the potential to offer Australians greater vehicle choices, cleaner air, improved fuel security, and cheaper household bills.

The Australian Automobile Association (AAA) and its members want Australians in the best possible position to adopt these new technologies and choose the transport technology options that best suit their lifestyle, household budget, and commuting needs.

The Australian mobility landscape of the future will be determined by a wide array of factors: global manufacturing trends; industrial advancements by car makers and the tech giants; shifting consumer demand; and/or regulatory changes by those countries still possessing a vehicle manufacturing base.

In the Australian context, our challenge is to ensure we have national leadership to best manage our environmental challenges; to ensure motorists are given maximum choice and information; and to ensure funding models can sustainably pay for safer and less congested roads, and more public transport options.

We also want to ensure owning and operating a car in our vast country with its unique driving conditions is affordable for all Australians.

Our Journey to Greener Mobility, and precisely when and where we arrive, will be heavily shaped by federal government decisions regarding the various public policy areas influencing our type and rate of change.

While Australia no longer has a car manufacturing industry, there are many policy areas where the Australian Government can play a leading role in planning for change.

Our Journey to Greener Mobility outlines a series of policy positions the AAA is putting forward at a national level which aim to:

- reduce carbon and noxious gas emissions to improve air quality and public health
- ensure Australians have the clean fuel needed to run latest generation engines
- better protect and inform motorists
- embrace and plan for advances in electric vehicle (and other ultra-low fuel consumption) technologies
- guarantee long-term sustainable road funding models.

In Australia, we live and work in one of the most unique environments on our planet with all the challenges and opportunities that our vast distances, disparate populations, and diverse landscapes bring.

With national leadership, we can better protect and better enjoy Australia's natural environment with policies that secure greener mobility into the future.



Reducing carbon and noxious emissions

The AAA supports measures to reduce carbon (CO₂) emissions.

However, it is often forgotten that while some technologies and fuels can deliver a reduced carbon footprint, they can actually increase noxious emissions (pollution) that are harmful to our health and the environment.

That's why a policy framework to reduce CO₂ emissions cannot be developed in isolation from a framework that addresses noxious emissions.

Reducing both CO₂ and noxious emissions are dependent on fuel quality; and both have an impact on Australia's capacity to retain a domestic petroleum industry, or to become entirely reliant on imports.

Achieving lower emissions is also dependent on efficient fuel consumption. Motorists have a right to know that the advertised fuel consumption rates of vehicle manufacturers are not misleading.

The Australian Government can never be confident of a framework to reduce emissions for light vehicles, unless its policy is based on accurate fuel consumption rates, rather than relying on the lab results promoted by manufacturers in their advertising.

That's why the AAA supports "Real World" testing with more details on page 6.

The AAA supports vehicle emissions' policies that are based on the following principles:

1. Greenhouse and other pollution abatement measures must deliver abatement at least cost to motorists and the broader Australian economy.
2. Policies should be underpinned by equity and flexibility: and they should not prescribe sector, purpose, or technology-specific outcomes.
3. Consideration should be given to whole-of-economy issues of both air quality and greenhouse gas emission reduction, and the measures introduced to deliver desired outcomes.
4. The choice of vehicle types offered to the Australian market should not be restricted.
5. The adoption of any foreign or international emissions standards must take into consideration the Australian new vehicle fleet and how and why it differs from those found in other markets.

The AAA supports Australia's transition to ultra-low fuel consumption vehicles.

Standards for CO2 and noxious emissions are an effective and responsible way to improve the environmental performance of the Australian light vehicle fleet. The AAA supports a CO2 standard for new light vehicles that achieves genuine environmental benefits while recognising Australian motorists' unique needs and preferences. This standard must be implemented as a package of measures addressing noxious emissions (Euro 6 standards) and fuel quality.

Australia's CO2 standard must be:

- designed specifically for the Australian light vehicle fleet
- introduced over a reasonable timeframe to avoid adverse impacts on vehicle choice and costs
- aligned with rates of emissions reduction in other jurisdictions
- flexible, with provisions for manufacturers to achieve targets through several mechanisms
- reviewed after several years of operation to ensure chosen targets remain appropriate.

The AAA believes that Australian Government support should be aimed at reducing regulatory barriers to uptake and use of low-cost measures to stimulate initial market demand. These measures should also support any vehicle technology that delivers ultralow fuel consumption (below two litres per 100km), as a technology-neutral approach is required if manufacturers efficiently bring the most affordable/effective technology to our market.

Specifically, the AAA believes the Australian Government should:

- implement the AAA's preferred CO2 standard, which will incentivise manufacturers to sell ultra-low fuel consumption vehicles
- set targets for ultra-low fuel consumption vehicles in Government fleets, which will help create a second-hand market and provide confidence to manufacturers to supply ultra-low fuel consumption vehicles
- remove Luxury Car Tax and tariffs on all ultra-low fuel consumption vehicles (existing AAA policy supports removing these taxes with the introduction of a road user charge on ultra-low fuel consumption vehicles) to reduce upfront costs
- introduce specific Fringe Benefits Tax treatment for ultra-low fuel consumption vehicles to reduce costs
- work with states and territories to develop a nationally-consistent approach to reducing (or applying short term exemptions to) state-based taxes and charges for ultra-low fuel consumption vehicles. Reducing or removing these costs will reduce both running costs and payback period
- pursue interoperability initiatives with electric vehicle (EV) recharging stations, such as setting recharging plug standards, ensuring open access to all recharging infrastructure, and single identification/payment methods. This will ensure recharging compatibility across all EVs and maximise the availability of recharging stations.

'Real-world' testing

Families, individuals and businesses trying to do the right thing by purchasing low emission vehicles need to be protected from misleading statements.

Currently, Australians are not able to make informed decisions about which car will put the least pressure on the environment or the household budget.

The AAA believes that emissions policy and a CO2 standard must be supported by a 'real-world' testing program.

In the wake of the 2015 Volkswagen diesel emissions scandal, the AAA engaged engineering firm ABMARC to test 30 popular vehicles to quantify the difference between their stated results from standard laboratory testing and the actual emissions they produce in the real world.

The results revealed that:

- vehicles (not including plug-in hybrids) used up to 59 per cent more fuel than advertised, and 23 per cent more on average
- one plug-in hybrid vehicle used more than four times the reported fuel consumption from the lab test
- vehicles produced up to seven times the legal laboratory limit of some noxious emissions
- 11 out of 12 diesel cars tested exceeded legal laboratory limits for noxious emissions.

Around the world, research is showing that the gap between lab and real-world test results is widening.

Only a testing program conducted in Australia, testing Australian vehicles on Australian roads and using Australian fuels can provide Australian consumers with the accurate information they deserve.

It will:

- empower consumers to make more informed purchasing decisions
- make choosing a more efficient car easier
- drive down costs to consumers and deliver meaningful environmental benefits
- allow policy makers to ensure emissions regulations are having a real-world impact.

The AAA is calling on the Australian Government to introduce a 'real-world' vehicle emissions test program in Australia to measure the emissions performance and fuel consumption of new vehicles in real-world conditions and publish the results through the Government's Green Vehicle Guide website.

The only information available to consumers about a car's fuel consumption and emissions performance comes from standard laboratory tests undertaken to comply with emissions regulations. However, the laboratory test is conducted under controlled conditions and in most cases does not represent how cars perform under real-world driving conditions.

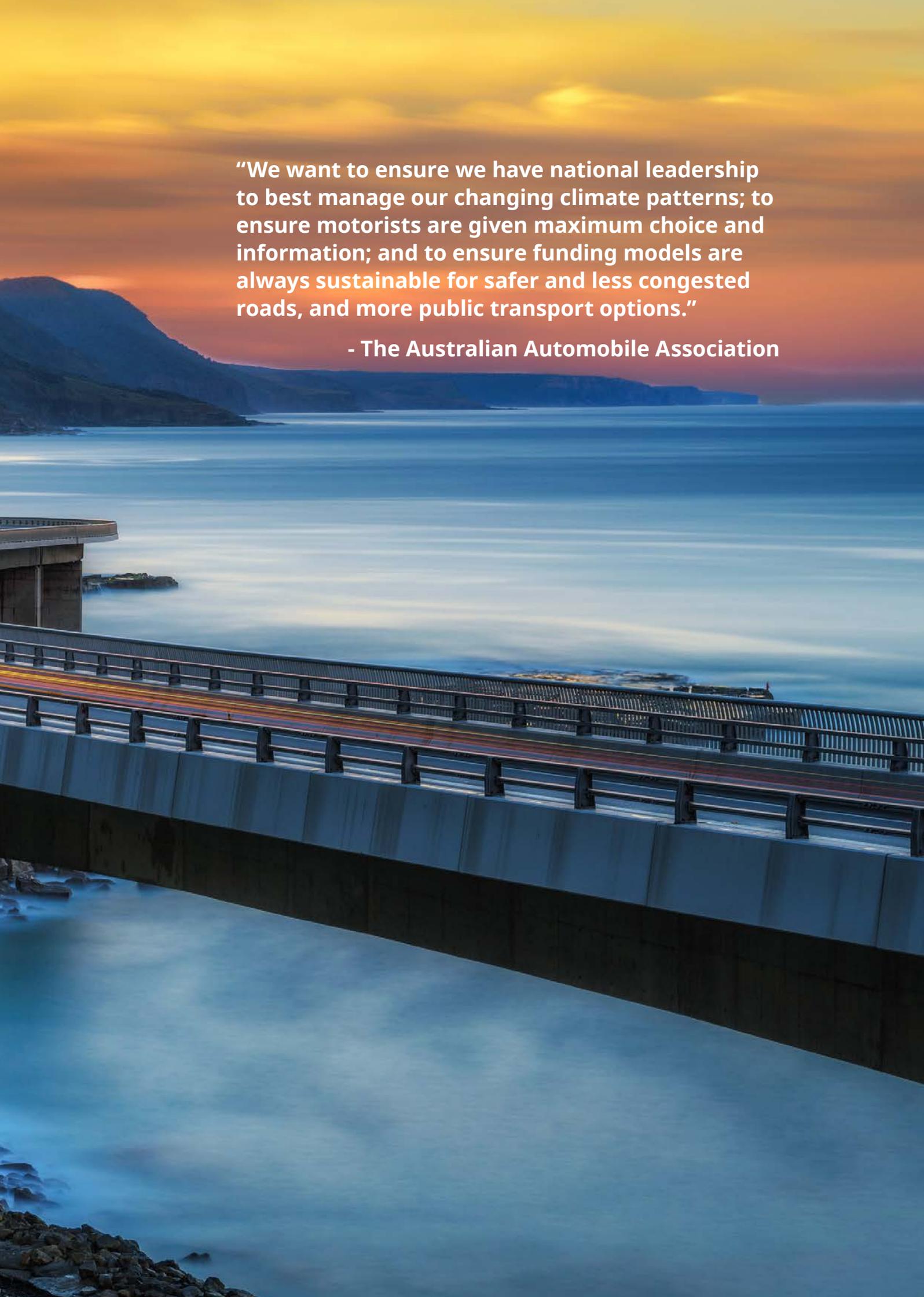
Around the world, research is showing that the gap between lab and real-world test results is widening. This is because as regulations have become more stringent, manufacturers have optimised vehicle performance to pass laboratory tests, with no requirement for this to translate into real-world driving.

As a result, rather than driving down emissions and fuel bills, more stringent emissions laws appear to be driving motorists into more expensive cars that don't deliver their promised benefits. Both consumers and the environment are increasingly being short-changed.

The AAA proposes that 60 new vehicle models available in Australia each year be subject to a real-world test. This would allow a comprehensive database to be built up over time. The AAA expects that if 60 vehicles were to be tested each year, results would be available for approximately 60 per cent of new vehicle sales within two years.



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“We want to ensure we have national leadership to best manage our changing climate patterns; to ensure motorists are given maximum choice and information; and to ensure funding models are always sustainable for safer and less congested roads, and more public transport options.”

- The Australian Automobile Association

Electric vehicles and other ultra-low fuel consumption vehicles

Australia's large land mass, climate and dispersed population makes our driving conditions unique in the developed world.

With a population density of three people for every square kilometre, Australians drive vast distances with the family car central to a large proportion of households.

In more densely populated countries and cities, people travel shorter distances and often have access to more convenient and affordable public transport or vehicle recharging opportunities for EV owners.

Densely populated countries also often have a higher taxation base which makes it easier, than it is in Australia, to offer effective subsidies or incentives to increase the uptake of sometimes expensive new technologies.

As Australia no longer has a car manufacturing industry, we are heavily reliant on the volume and diversity of new vehicle technologies driven by global demand and changes. Yet Australia's international reputation for research and development also puts our country in the driver's seat when it comes to our capacity to develop cutting-edge technologies.

The AAA adopts a technology-neutral approach to emissions reduction. We believe government should allow industry to bring the best and most affordable technology to our market. We also understand it is important to avoid significant diversions of government resources from other high priority transport issues, such as road safety and system-wide infrastructure funding.

A low emissions future requires appropriate infrastructure and the right policy settings.

The AAA believes the Australian Government should support uptake of new vehicle technologies by:

- incentivising research and development in EV batteries and other associated technologies through the provision of grant funding and taxation exemptions.
- establishing an inter-governmental working group, representing governments, industry and consumers, tasked with establishing a roadmap for the co-ordinated transition to electric road transport, including the deployment of associated infrastructure and coordination of additional government reforms at federal and state level.

The AAA considers that research and development incentives could be funded through existing programs/funding mechanisms, for example the Clean Energy Finance Corporation (CEFC) that would have minimal budget impact.

Electric vehicles

Specifically, in relation to electric vehicles the AAA advocates that the Australian Government:

- work with states and territories to streamline building approvals for EV recharging infrastructure to ensure easy installation of home recharging infrastructure in apartments and in rental homes, as well as recharging infrastructure in car parks and at other public locations.

- establish an inter-governmental working group to develop a national plan for the roll-out of recharging infrastructure and work with energy suppliers to manage network capacity; support a coordinated roll-out; and minimise network capacity issues
- provide low interest loans for EV home chargers, potentially through existing resources such as CEFC funding, to assist in reducing upfront cost pressures
- support enabling works and/or provision of low interest loans for installation of highway and destination EV recharging infrastructure, potentially through existing resources such as CEFC funding to support private investment in recharging stations
- develop education campaigns about ultra-low fuel consumption vehicles and information about EV recharging infrastructure availability, as consumers informed about EVs are more likely to purchase one.

Fairer and more transparent road funding

Australian families are among the largest investors in the roads they use.

The Australian Government is budgeting to receive \$49.36 billion in net fuel excise over the next four years, almost equivalent to the amount the government will reinvest in land transport infrastructure across the nation. For the average family, that means a fuel tax bill of about \$1188 a year.

The Australian Government needs to make sure that all motorists contribute fairly to our roads. The government also needs to make sure that taxes – such as the so-called Luxury Car Tax – do not needlessly hinder Australian families from purchasing vehicles that are not only safer but are equipped with greener technology to drive down emissions.

With the growth in more fuel-efficient vehicles and new technologies – such as electric and hybrid – the government is going to be confronted with declining fuel excise revenue in the future.

That means some motorists will pay a road user charge through fuel excise while other motorists will pay far less or pay nothing at all.

With a move to more environmentally responsible technologies, the Australian Government needs to plan how it will fund our roads into the future given a declining reliance on revenue from the fuel excise.

The AAA advocates for a fairer, more transparent and sustainable nationally consistent model for road funding into the future.

Electric and other zero emission vehicles should be brought into the tax system initially at a discounted rate to avoid disincentivising their take-up. Governments should consider apportioning revenue from any electric vehicle road-user charge to future programs that incentivise development and roll-out of ultra-low fuel consumption technologies and infrastructure.

The time has come to shift from the fuel excise to a fairer road-user charging system.

The tariffs and other federal taxes applied to new cars make the cost of purchasing new cars more expensive. This then flows through to the cost of second-hand vehicles, making it difficult for people on low incomes to purchase newer, safer, more fuel-efficient vehicles. This leads to poorer road safety and impairs environmental and affordability outcomes.

The AAA calls on the Australian Government to remove these taxes immediately from ultra-low fuel consumption vehicles, and then from the remaining light vehicle fleet over four years. This would help incentivise the uptake of ultra-low fuel consumption vehicles by making them more price competitive with traditional vehicles.

The AAA also calls for action to improve the fairness of the road user charging system. Under the existing fuel excise system, drivers of older or larger vehicles that use more fuel pay more per kilometre to use the same stretch of road as drivers of newer, smaller, more fuel-efficient vehicles. Meanwhile, as technology changes, ultra-low fuel consumption / non-internal combustion engine vehicles can use the road network at no cost, as they are outside the fuel excise system.

The AAA has long called for a more transparent land transport funding model based on a user-pays system for all road users.

Fuel excise (currently 42.3 cents per litre) is today a proxy charge for road use. Moving to a market-based access system will allow future governments to transparently deliver priority transport outcomes such as safety, cost of living, environmental and health benefits through future pricing mechanisms.

The AAA welcomed the Australian Government's November 2016 commitment to establish a study, led by an eminent Australian, into the potential benefits and impacts of road user charging for light vehicles. This study is yet to begin and the Australian Government must prioritise this work as a matter of urgency, to determine how the nation could transition towards road user charging for all light vehicles, with the revenue raised dedicated to funding the transport system.

This study must consider how to ensure that the road user charging system is ready for the future, without stifling early adoption of new technology.

In planning a transition to a whole of market road user charging and funding system, government must consider:

- how the reform can be implemented in a staged manner, beginning with the work currently underway for heavy vehicles
- how to ensure that all vehicles are captured fairly in the new system
- the feasibility of bringing ultra-low fuel consumption vehicles into the system in the early stages, combined with measures to encourage early uptake of emerging technology through the immediate removal of luxury car tax and tariffs on these vehicles
- how to establish a dedicated national transport fund using the revenue raised from the road user charge
- the feasibility of bringing state and territory charges into the scheme in the future.

Any road user charge for ultra-low fuel consumption vehicles would need to be set at a rate that maintains existing incentives, yet also builds and normalises a new charging system. That is, ultra-low fuel consumption vehicles currently enjoy an effective road use "subsidy" equivalent to the fuel excise rate. A road user charge for ultra-low fuel consumption vehicles could offer the opportunity to transparently maintain and actively promote this relative incentive.

A staged approach could incentivise early adoption, until such time that significant market penetration and/or price parity has been achieved in Australia.

Similar pricing incentives could be considered to deliver other policy imperatives, such as the increased uptake of vehicle technologies that deliver road safety benefits.

Accessible and efficient public transport options

We need to ensure Australians are serviced by a public transport network fit for the 21st century.

The AAA is one of the nation's leading champions for greater investment in our public transport network.

Over the next four years the Australian Government plans to collect \$52.4 billion from motoring taxes. The revenue raised from motorists more than covers the cost of the Australian Government's estimated \$46.8 billion investment in land transport infrastructure over the same period.

This puts the over eight and half million motorists we represent among the leading investors in public transport.

Greater and more affordable public transport options vastly improve our quality of life, with daily commutes becoming quicker for public transport and road users alike.

One in eight people in Australian capital cities uses public transport for daily commuting; and our population growth is among the highest in the OECD (a rate more than twice as high as the US and the UK).

The AAA calls on the Government to prioritise public transport infrastructure in its future funding programs to improve both metropolitan and regional services.

For too long, the country has lacked an overarching land transport strategy that properly integrates the public transport needs of today and tomorrow. Australia's last Transport White Paper – the AusLink White Paper published in 2004 – has long since been out of date.

To ensure Australia has a fit-for-purpose public transport system into the future, the Australian Government must:

- establish a process for developing and maintaining a fully funded 10-year infrastructure program
- define a pathway for structural reform of the nation's transport taxation and funding arrangements
- clarify and modernise state-federal infrastructure funding and prioritisation arrangements
- identify and plan infrastructure investment to facilitate emerging mobility technology.



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