



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

Dear Minister Pallas,

Proposed electric vehicle tax

The Northern Alliance for Greenhouse Action (NAGA) is writing to oppose the imposition of a road usage tax on electric vehicles without broader policy reform around sustainable transport and road funding. NAGA is a network of nine local governments in the north of Melbourne (Melbourne, Yarra, Manningham, Banyule, Darebin, Moreland, Hume, Whittlesea and Nillumbik), working together to reduce greenhouse gas emissions and protect our communities from the worst effects of climate change.

It is our view that this proposed tax, by itself, will act as a disincentive to the purchase of new or second-hand electric vehicles (EVs) at this point of their market penetration. The tax will counter Victorian and local government policies and investments in the transition towards an all-electric society powered by renewables. We recognise that the state government is projected to face a fall in future revenues due to declining fuel excise as EVs are adopted within the local market. However, we believe this tax is both harmful to a more environmentally friendly form of transport and inadequate in addressing future revenue shortfalls.

The EV market is in its infancy in Australia, accounting for less than one per cent of cars on the road. Based on our experience with EV owners as well as a recent study by University of Queensland, we consider that the proposed tax is likely to significantly constrain uptake of EVs¹.

First, introduction of a financial disincentive will increase the life cycle costs of EVs. Electric vehicle owners could be charged more in tax per kilometre than some fuel-efficient hybrid vehicles².

¹ Bridie Schmidt, <https://reneweconomy.com.au/ev-tax-will-smash-electric-vehicle-sales-and-lift-emissions-ug-study-finds-77595/>

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.



Second, the tax will impose time and cost burdens on EV owners, since they will need to report odometer readings and possibly install GPS trackers. This is a particular barrier for fleet managers, who are key to increasing the market penetration of EVs.

Third, the tax sends a signal to overseas EV manufacturers that Victoria does not support a shift from internal combustion engines to EVs. This will make it even harder for local subsidiaries to import vehicles and a greater range of models. A perceived lack of support for the industry has already resulted in long waiting times and a restricted range of models in Australia. This issue will also affect second-hand electric vehicles, making EVs less affordable for low-income households who would benefit from the lower running costs.

Constraining the growth of the electric vehicle market runs counter to a range of state government policies and reports. First, the Victorian *Climate Change Act 2017*, which set a target of net zero emissions by 2050. Second, the *Zero Emissions Vehicle Roadmap*, promoted by the Victorian Government as vital in planning for decarbonisation³. Third, the recent report by the parliamentary inquiry into tackling climate change in Victorian communities. This recommends '[t]hat the Victorian Government support the integration of electric vehicles into local government fleets' as well as other measures designed to increase EV uptake⁴. Finally, constraining the EV market undermines the Charging the Regions project, an on-going program to develop a network of charging infrastructure.

The tax is also a missed opportunity to gain significant health cost savings from replacing internal combustion engine vehicles, particularly diesel-powered vehicles, with electric vehicles. The Victorian Government, based on advice from Infrastructure Victoria, in its submission to the Federal Government's Senate Select Committee Inquiry on Electric Vehicles ^[1](2018), noted that moving to electric vehicles is projected to deliver over \$700 million in economic benefits from reduced health issues in Victoria⁵. Although the financial benefit is notable, these health issues directly impact the community in terms of trauma, inability to work and loss of life.

A key argument put forward to support the EV usage tax is that it is necessary to raise funds for local road maintenance. This is not a valid argument. First, fuel excise tax is collected by the federal government, not the state governments. Second, there is no evidence that the EV tax would be ring-fenced to pay for 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

³ 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

⁴ Parliament of Victoria, Legislative Assembly Environment and Planning Committee, November 2020, *Report of the Inquiry into tackling climate change in Victorian communities*, pp198-188

⁵ https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Electric_Vehicles/ElectricVehicles/Report



to the *expenditure* of taxation revenue. In Australia, road maintenance is paid through consolidated revenue.

NAGA is not opposed to reforming the taxation of transport. However, a piecemeal approach that targets a small, nascent and environmentally significant sector is not useful. Instead, what is required is a comprehensive transport remissions strategy. This needs to recognise Victoria's climate commitments and the central role of electric vehicles in the transition away from fossil fuels. Such a strategy should also include priority investment in public transport and zero-emissions forms, e.g., walking and cycling, for local trips, and explore potential pricing solutions based on time and place of use rather than simply the type of vehicle. This has the additional effect of ensuring that uptake of EVs does not simply replicate existing congestion caused by internal combustion vehicles.

We recommend that the Victorian Government:

- *Consults 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. Councils are also able and willing to show significant leadership and innovation in the transition to sustainable transport.
- *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. This should promote alternatives to cars and take into account the damaging impacts of heavy vehicles on roads, health and climate. 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.

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

Yours sincerely,

David Meiklejohn
Executive Officer