November 24, 2011

Dear Sir,

Please accept my submission to the above discussion paper. I am writing on behalf of myself as a private Australian citizen although am currently employed by Volkswagen AG who may make an unrelated submission either directly or via an Australian operating entity. Formally an engineer at GM Holden and Industry analyst at IHS Global Insight, I have both personal and professional interests in Australia adopting the best possible vehicle efficiency standards.

In general, other than for historical absence of legislation, I do not understand Australia’s ‘excuse’ for transport CO₂ emissions per km being higher than Europe. With GDP per Capita considerably higher than all large EU members (IHS Global Insight, 2011) how can a greater environmental impact be allowed by the Government? With relatively poorer public transport infrastructure and high average distances travelled, Australia requires a more efficient fleet. The high emissions Australia’s electricity generation industry means vehicles should be required to emit less in compensation. Issues like lifestyle and towing are mute. Today, Europeans tow caravans, boats, and travel to beaches and on family holidays in vehicles averaging less than 140g/km without difficulty.

To answer the posed questions:

1. Yes, I support CO₂ targets, and a staged introduction. A clear roadmap allows manufacturers to prepare product offerings and for the public to ‘come to terms’ with the new products as dictated by the standards.

2. 2020 is a logical date for a second stage, although an annual tightening or ‘phase in’ of requirements between 2015 and 2020 is worth considering. Phasing in requirements reduces ‘pre-buying’ of old-standard vehicles and subsequent slumps in demand which would hurt the industry and diminish the environmental outcome.

3. Long term automotive product planning cycles are typically 10 years so targets beyond 2020 are appropriate. The EU 95g/km 2020 target which was announced in 2009 as a long term ‘indicative target’, with confirmation to come in 2013. The gives the industry a direction for planning, while maintaining flexibility for regulations to be revised closer to implementation date.

4. 2010 is reasonable year for comparison and perhaps is better than 2011 (and 2012?) which will be somewhat affected by natural disasters in Japan and Thailand. Other markets such as Japan consider earlier years such as 2005. Please avoid 2008 and 2009 which are somewhat affected by global financial market difficulties.

5. (&6) While my introductory comments suggest Australia should meet EU CO₂ standards, the CO₂ starting point, differences in fleet size, customer expectation and fuel tax make this unrealistic in the short term. Regulatory harmonisation with a large automotive market like the EU (or less preferably the US or China) would allow further industry product standardisation, therefore reducing cost to the customer. The reductions in Scenario 6 (~180g/km in 2015 and 140g/km in 2020) are realistic. Meeting EU levels sometime after the EU could then be the objective, analogous to the Euro2-6 Emission Quality requirement introduction.
7. Most manufacturers present in Australia also compete in Europe and will therefore have the technology available. The major impediment to the targets is the customer (!). Most technology to reduce CO₂ comes at a cost and in most cases consumers are unwilling to pay more for purely environmental reasons. Car companies build cars which their customers want to buy. Fundamentally, customers need to be given incentive to buy more efficient vehicles thereby creating a ‘pull’ to compliment the ‘push’ that CO₂ standards will provide. Higher fuel tax, CO₂ based purchase, circulation tax and company car tax are all effective measure deployed in Europe to offer customers a positive ‘low CO₂ business case’. I encourage the Australian government to study the systems in place in the UK and France in particular. The below slide demonstrates the results in the French scheme in reducing sales of high CO₂ vehicles which attract the ‘Malus’ purchase tax.

![2008/09 Bonus-Malus Sales in France](image)

Source: (IHS Automotive Conference, 2011)

8. No specific data is available. However I reiterate my previous comments that consumer demand measures are required to increase demand for fuel efficient vehicles. The mechanisms of fuel tax, purchase tax/incentives, circulation tax etc. are well-documented. While simply increasing fuel tax may be most efficient from an overall emissions perspective, CO₂ based vehicle taxes target only new car buyers which may be more politically acceptable. In particular, I recommend targeting company car drivers who often have little or no incentive reduce CO₂ emissions /fuel consumption as they don’t even directly pay for fuel.

9. Different standards for passenger and commercial vehicles (LCV) are appropriate given the different utility requirements. As most SUVs are used for passenger transport and ‘lifestyle’ purposes, they should be considered with cars. Care needs to be taken to avoid market distortion as seen in places like Thailand where a disproportionate sector of the fleet are Pick-Up Trucks due to favourable taxation. Manufacturers would favour harmonization with at least the EU weight based limit value curve or the US based footprint system to allow common product optimization. See responses to questions 5 & 13.
10. Again, harmonization with either the EU or the US would assist manufactures improve economies of scale and offer Australians the best technology at the lowest price. Product optimization for unique Australian requirements will become less and less possible in the Global Auto Industry and both the consumer and environment will ultimately lose.

11. Credits are appropriate ways to reward manufactures (and/or customers) that considerably exceed the letter or spirit of the target/legislation. In the case of electric and Plug-In Hybrid vehicles, considerable support is required to make this costly technology attractive to customers. Given the considerable environmental benefit over conventional vehicles, I recommend support in line with the EU and US. Tax (income/GST/other) reductions/deductions/exemptions may be an appropriate mechanism.

12. Yes, I support either footprint or mass based standards

13. I defer to the in-depth studies and recommendations quoted in the discussion paper. The EU is considering standards which combine several attributes for the 2020 targets. Vehicle ‘shadow’ or total length x width is another alternative which would avoid forcing designers to place wheels at the extreme corners of the vehicle and therefore maintaining existing levels of product diversity. Engine power or power-weight ratio may be an option in defining ‘utility’.

14. Attribute standards aligned with another large car market are most appropriate

15. These attributes are OK. Engine power may be an option in defining ‘utility’ and therefore should be considered. For Hybrid and Electric vehicles, pure Electric range and electric power consumption will be of interest for calculating well to wheel emissions etc.

16. No comment, other than that other companies collect similar data (eg Jato) and VFACTS/Polk should not be given a monopoly without the due procurement process.

17. Yes, data should be public, although please note this will be of competitive disadvantage to Polk, who will therefore try to charge more for the service. Similar arrangements exist in Europe where only data on an aggregated basis is public, forcing those requiring detail to engage Polk commercially. Most consider this acceptable.

I have no further comments other than to emphasize again, the consumers’ role in CO₂ reduction. Requirements and enforcement measures placed on the industry are appropriate but so are equal measures on the consumer side to create demand for the inevitably more expensive vehicles. All three of the Government/taxpayer, car buyers and motor manufacturers need to share the cost burden of this development. Without Government action to enable reduced environmental impact, the same combination of stake holders will bear the higher cost of climate change mitigation.

Best regards,

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References: