



8 April 2016

The Department of Infrastructure and Regional Development
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Email: vemissions@infrastructure.gov.au

Dear Director

Response to the Vehicle Emissions Discussion Paper February 2016

1. Introduction

1.1 The Motor Trades Association (MTA Queensland or the Association) responds to the Department of Infrastructure and Regional Development's invitation for submissions to the February 2016 *Vehicle Emissions* Discussion Paper (the Discussion Paper). The Association's comments are submitted on behalf of its constituent Divisions and are confined to issues which relate to the interests and fall within the competence of the Queensland automotive value chain.

2. Context

2.1 The MTA Queensland supports the Australian Government's measures to achieve the 2030 greenhouse emissions reduction target of a 26-28 per cent reduction on 2005 levels by 2030, the air quality objectives of the National Clean Air Agreement, and the National Energy Productivity Plan objective of a 40 per cent improvement in energy productivity by 2030.

2.2 In this policy context as it relates to the national automotive value chain, the Association has considered the comments and recommendations referencing the European framework that manage automotive emissions performance. This includes as stated in the Discussion Paper (p. 7), that for petrol, diesel and gaseous fuelled light vehicles (up to 3.5 tonnes gross vehicle mass) Australia has mandated the 'Euro 5' noxious emissions standards for newly approved vehicle models first produced from 1 November 2013, and these requirement will apply to all new vehicles produced from 1 November 2016.

2.3 The Association observes in the Discussion Paper (p. 8) that Australia's noxious emissions standards are less stringent than those in comparable countries. In Europe from September 2014 Euro 6 emissions standard for light vehicles became mandatory and equivalent standards are currently in force in the United State and Japan. It is noted that the Euro 6 standard reduces noxious emission limits for oxides of nitrogen for diesel vehicles by a further 55 per cent and also adopts limits to address ultrafine particles from petrol vehicles with direct injection fuelling systems.

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2.4 The MTA Queensland would counsel caution in looking to directly adopt the Euro 6 and adjacent performance frameworks for Australia. The Euro 6 protocols are mostly based around setting average emission parameters on the supply side and that means that they prescribe the average emissions permissible for the vehicles produced by a manufacturer.

2.5 Australia has a very modest motor vehicle market, and by 2017 will no longer be a significant manufacturer of automotive vehicles. This means that using a framework based on averaging emissions across manufacturing inventories is unlikely to be appropriate or practically workable.

2.6 The Discussion Paper (p.5) advises that the historical data on new vehicle purchases in Australia suggests that it is reasonable to expect that CO₂ emissions from new light vehicles, on average, will continue to improve under a 'business as usual' scenario, although not at the rates in other countries where mandatory standards and other direct measures are in place. Initial research by the Bureau of Infrastructure, Transport and Regional Economics has found the average CO₂ emission intensity of light vehicle sales is forecast to decline to a level of between 155-160 g/km by 2025. Under this scenario, Australia does gain moderate advantages over time from overseas fuel economy standards, as more imported vehicles incorporate technologies aimed at meeting the fuel efficiency (CO₂) standards adopted in third country markets or those limits imposed by manufacturing modalities.

2.6 The Australian automotive sector makes a moderate contribution to Australia's CO₂ emissions - less than 1.5 per cent. The Discussion Paper (p. 5) states that currently, Australia is the world's 13th largest emitter, accounting for 1.3 per cent of global CO₂ emissions.

2.7 It would appear incongruous that complex and expensive emission frameworks are imposed on the Australian economy which at best can achieve very modest reductions in emissions performance from a relatively small base which in total emits less than 1.5 per cent less of the nation's total emissions. It seems inappropriate that such a complex framework be considered when the desired emission improvements can be achieved by cost effective and less complex policy options that would not impose such a heavy national and economic cost.

3. Options to reduce vehicles standards

3.1 As submitted above, it is the view of the Association that an excessive cost to the Australian economy is a likely probability of imposing Euro 6 frameworks on the Australian private motoring and commercial transport value chains. It appears more cost effective direct policy options are available to achieve reductions in vehicle emissions at a more reasonable cost to the Australian economy. This would include:

(a) Upgrading Australia's fuel specification. Historically Australia's fuel specification has conferred an economic rent on fuel refiners and has resulted in slightly higher emissions than would have been the case if more stringent specifications had been mandated on the automotive fuel refiners. There has been a cost to the economy of mandating fuels that are less efficient energy sources than those available in other first world economies.

(b) Rationalisation of the fuels available in the Australian market e.g. it would be relatively simple and cost effective to phase out 91 octane fuel and restrict supply to 95 and 98 octane fuels. This would result in both a cost effective reduction in CO₂ emissions and improvement in energy efficiencies.

(c) The mandating of Ethanol blend fuels should be reviewed. At present the economics of these fuels are such that the relative cost means that there is consumer resistance. Unless the costs can be progressively reduced, fuel retailers who are mandated to stock ethanol blended fuels have to subsidise this product because of its slow turnover and the cost of installing infrastructure and opportunity cost. Ethanol blended fuels lower the efficiency of road transport energy although there is a benefit from lower emissions which appears to be relatively minor based on the anecdotal information available to the Association.

(d) More comprehensive monitoring of terminal gate pricing to ensure that the relativity between 95 and 98 octane fuels is reflected at the bowser in retail pricing as this can be expected to encourage greater economic rationalism in the purchase of transport fuels by both private motorists and corporate consumers. Further, it may be worthwhile for consideration be given to the introduction of dual pricing of fuel with a requirement that the cost of fuel be displayed on price boards as price per volume and price per unit of octane (energy value).

(e) The MTA Queensland notes the Discussion Paper's comments (p. 9) concerning the discounting of the Luxury Car Tax (LCT) for fuel efficient vehicles. The Association is of the view that the LCT is a tax that cannot be justified on any basis and that includes discounting in respect of fuel efficient vehicles. To encourage LPG and hybrid motor vehicles by appropriate tax measures take-up, fuel efficient vehicles should be accorded tax advantages in their own right. Most of these taxes however, accrue at State level and arrangements would have to be made in Commonwealth/State Financial arrangements to achieve such an outcome. It would appear appropriate that some of the revenue that has been used to support Australia's manufacturing industries that are in decline could be used for this purpose.

(f) The Australian economy has a high propensity for road transport logistics. In considering any policy option it is important to take account of consequences on downstream costs to consumers of road transport as these will generate a negative real income effect and broadly impact the rate of inflation. The increase in transport costs is likely to be significant and will have consequences for the relative competitiveness of the Australian economy globally.

4. Average Age of Registered Vehicles

4.1 The Association in making its comments is mindful is that the average of the Australian motor vehicle fleet exceeds ten years. The Australian Bureau of Statistics (9309.0 Motor vehicle Census, Australia 31 January 2015) states that the average age of all vehicles registered in Australia was 10.1 years. Over the five year period from 2010, campervans were the only vehicle category to record a decrease in average age (0.4 years). Over the same period, motor cycles, articulated trucks and non-freight carrying vehicles increased in average age by 1.0 years, 0.6 years and 0.6 years respectively.

4.2 It would seem that a worthy aim of any environmental policy would be the reduction of the average age of Australia's light and heavy vehicle fleets. The speed at which the technology cycle is changing is introducing significant improvements to fuel efficiency and performance. This would indicate that a more modern motor vehicle fleet would result in a worthwhile improvement in absolute environmental performance from the Australian automotive sector.

4.3 The automotive sector worldwide and in Australia is undergoing a paradigm change driven by economics and social responsibility. Motor vehicles are reducing in size; engine efficiencies have made a quantum improvement significantly reducing global fuel consumption and consequently emissions. Externally, the introduction of LPG for the transport of goods and passenger (buses), some private motoring and the advent of hybrid motor vehicles and hydrogen cell and other technologies e.g. those stop and restart engines as required have contributed to a reduction in CO₂ emissions. The environmental algorithm will be further improved by an increasing propensity for Plug In Electric vehicles.

5. Conclusion

5.1 Whilst being supportive of the Australian Government's measures to achieve the 2030 greenhouse emissions reduction target of 26-28 per cent on 2005 levels by 2030, the Association counsels caution to considerations and evaluations of changes to the existing policy framework. Australia has a modest sized relatively aged motor vehicle fleet and an automotive industry that is being phased out.

5.2 In future, the nation's vehicles, light and heavy haul will be imported. It would be incongruous to adopt rules outside of the international specifications that apply in major economies as this would impose undesirably high capital costs on the nation that largely relies on road transport logistics. Such costs would have to be ultimately passed onto the consumer adversely impacting real incomes and standard of living. Importantly, Australia is experiencing some difficulties in returning to trend rates of economic growth and improving productivity. Any policy changes would have to be carefully assessed for unintended consequences for those that would slow economic growth, retard the attainment of full employment and inhibit productivity improvements.

5.3 It appears a 'light policy touch' progressively introduced and carefully monitored would be the most appropriate approach in these particular circumstances.

6 The MTA Queensland background

6.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of the automotive industry located in Queensland. The 2015 Automotive Environmental Scan data indicates that there are some 13,800 automotive value chain businesses operating within the State employing in excess of 92,000 persons.

6.2 It is an industrial association of employers incorporated pursuant to the *Industrial Relations Act* of Queensland and the Commonwealth's *Fair Work Act* 2009. The Association represents and promotes issues of relevance to the automotive industries to all levels of government and within Queensland's economic structure.

6.3 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering all aspects of the retail motor trades industry through the MTA Institute of Technology (MTAIT). It is the largest automotive apprentice trainer in Queensland employing 35 trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald. The MTAIT last financial year accredited courses to in excess of 1,600 apprentices and trainees.

6.4 We would be please to provide further comment on any matters in our submission that may require further clarification or amplification.

Thank you for your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Dewar', written in a cursive style.

KELLIE DEWAR
General Manager
MTA Queensland