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March 10, 2017

Department of the Environment and Energy
CANBERRA ACT

Dear Sir or Madam,

**Re: Call for submissions for draft Regulation Impact Statements:
*Improving the efficiency of new light vehicles, and Vehicle emissions standards for cleaner air.***

It is clear from the draft RIS and prior Government studies that there are both economic and health advantages from enforcing the strictest of the reviewed emissions regulations. The emissions standards RIS identifies that a sufficient timeframe is required to implement the necessary framework, and whilst 2020 is a reasonable time frame for the next implementation of a new standard, by then European standards will have likely surpassed those proposed. Such a scenario would lead to Australia to review implementation of measures in the future. With near global harmonisation towards European measures, it would be logical for the next implementation to bring Australia into line with European measures in order to reduce the review process and regulatory burden. Such an alignment of regulations would likely not limit market choices for consumers, as manufacturers would already pose sufficient portfolios to accommodate these standards in far larger markets (i.e. Europe and North America).

Whilst implementing emissions standards enhances the emissions performance of new vehicles, and those maintained in as-new per emissions equipment, it does not ensure that vehicles maintain the certified level of performance throughout their lifecycle. If a vehicle is modified from stock, tailpipe emissions could alter drastically from the original certification. This aspect is not considered in the draft RIS for emissions. In Europe, emissions standards are also typically verified throughout the vehicles life through regular inspections required as part of a vehicles registration. In the USA this is verified in some states, and in part by OBD systems in others. Emissions inspection is not presently part of a vehicles inspection in Australia in states that require regular inspections for registration. It is my opinion that the impact of such measures should be reviewed for existing vehicles.

It is interesting to note in the draft RIS for improving vehicle emissions that the regulatory burden of introducing the most stringent emissions measures is approximately 1/5 that quoted in the draft RIS for improving vehicle efficiency. These more stringent emissions measures also include CO₂ measures, which (dependant on fuel) is a direct product of efficiency. Therefore steps should be taken to assess the potential impact of an emissions standard on efficiency.

The draft RIS for improving vehicle efficiency identifies the current problem of vehicle fleet efficiency in Australia only incrementally improving compared to other developed markets. It is clear from the RIS that there are net benefits from enforcing improved efficiency through regulation, as Australia is not indirectly benefiting to the maximum extent of such measures abroad.

The report often cites the UK as an example of where efficiency measures have influenced manufacturers product catalogues. What the report fails to acknowledge is that there added forces in the UK market due to structures such as an annual road tax (paid as an equivalent to registration in Australia) levied upon higher CO₂ emitting vehicles.

An interesting feature of the RIS on vehicle efficiency is the identified growth in the LCV / 4WD / SUV market, however this does not show clear separation in the data and potential impact this has had on overall fuel usage and potential changes in fleet efficiency. It is clear however to the casual observer that there has been a shift in the Australian marketplace to these types of vehicle. Considering the cost of implication of any of the proposed efficiency measures, and the inefficient fleet composition in Australia, it would be simpler from a regulatory standpoint to target inefficient vehicles as opposed to incremental gains across all classes of vehicle.

The RIS on vehicle efficiency goes on to compare classing of vehicles for proposed schemes. One key point of discussion is the differing treatment of SUV's in the European and North American markets. The RIS notes that the North American treatment is favourable, with reasoning that SUV's were an incumbent architecture warranting special treatment. It is my opinion that following such treatment in Australia would be misleading. Australia does not have the same manufacturing or usage history of this class of vehicle as the USA. Furthermore, in terms of functional requirements, a conventional design of vehicle can possess the same carrying capacity, performance, and features as an SUV, but is typically more fuel efficient due to lower weight and aerodynamic drag.

The draft RIS for efficiency acknowledges the Government's desire for consumers to be free to evaluate and fulfil their needs with respect to features such as vehicle size in section 3.2. However in section 2.3, consumer behaviour is identified as being emotionally influenced when a large number of variables need to be evaluated. This is presented in the RIS as the reasoning behind fuel efficiency labelling. It is my opinion that such logic should be extended beyond simple labelling and into either a tax or incentive scheme to guide the consumer towards more efficient vehicles that still adhere to the users original functional requirement. A possible means of implementing such a scheme could be through a sales tax, such as the current luxury car tax, or one paid at registration over the vehicle's life, such as road tax in the UK. In the case of the luxury car tax, the prior purpose of assisting local manufacturing no longer exists. Furthermore, the tax has the unintended impact of making some models of higher efficiency and safety unattractive in the Australian marketplace. This presents an opportunity to review and re-structure such a tax.

Overall, with respect to emissions standards, it is clear that there are benefits from enforcing the most stringent of standards, particularly those from Europe owing to worldwide harmonisation. Whilst the present Euro 6 / VI is assessed, the cost of bringing Australia in line with present European measures should be assessed to future proof regulatory burden. The impact of vehicle emissions inspection schemes should also be considered. With respect to efficiency measures, it is clear that the regulatory cost of the proposed measures is high. Such regulatory frameworks are not imposed as standalone structures in the countries cited as examples. Owing to the inefficient fleet composition in Australia, it is my opinion that further consideration should be given to alternative incentive and tax structures.

Yours sincerely,

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