

Submission on the Future Fuels Strategy: Discussion Paper

Final Submission

March 2021

Note: This is not an endorsed LGASA Board of Directors document. It has been prepared by the LGASA Secretariat for consideration by the LGASA Board of Directors.

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Summary of recommendations

The Local Government Association of South Australia (LGASA) supports a transition to electric vehicles (EVs) and recognises local government's roles and responsibilities as road authorities, infrastructure providers, fleet managers and representatives of their local communities, acknowledging that it can support and encourage the use of electric vehicles through their planning, policies, investment and procurement activities.

- 1. The LGASA notes that the Discussion Paper does not propose a subsidy or incentives scheme and urges the Australian Government to consider developing a trial of a subsidies or incentives scheme for electric vehicles.*
- 2. The LGASA notes that the Discussion Paper does not propose removal of the luxury car tax on electric vehicles and urges the Australian Government to reconsider this position.*
- 3. The LGASA notes the recognition in the Discussion Paper of the importance of supporting Australian innovation and manufacturing but urges the Australian Government to focus on a revitalisation of the South Australian automobile manufacturing industry.*
- 4. The LGASA notes the recognition in the Discussion Paper of the importance of a 'fleets first' approach but urges the Australian Government to include local government as a key mechanism to achieve this through incentives.*

The Local Government Association of South Australia (LGASA) supports the inclusion of these measures into the 'Future Fuels Strategy: Discussion Paper' ('the Discussion Paper').

Introduction

About the Local Government Association of South Australia

The LGASA is the voice of local government in South Australia, representing all 68 councils across the state and the Anangu Pitjantjatjara Yankunytjatjara.

The South Australian *Local Government Act 1999* recognises the LGASA as a public authority for the purpose of promoting and advancing the interests of local government. The LGASA is also recognised in and has prescribed functions in 29 other South Australian Acts of Parliament. The LGASA provides leadership, support, representation and advocacy relevant to the needs of our member councils.

The LGASA is a strong advocate for policies that achieve better outcomes for councils and the communities they represent. As such, the LGASA welcomes the opportunity to provide a submission to this consultation on the Discussion Paper.

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LGASA Board of Directors

At its meeting on 21 May 2020, the LGASA Board of Directors resolved to:

“enter into discussions to develop a trial of a Federal or State funded subsidy scheme or incentives in South Australia, for vehicles fuelled by alternative energy sources including electric, hybrid and hydrogen vehicles”.

This issue has been progressed with the State Government. On 25 August, the LGASA wrote to the Minister for Energy and Mining, Mr Minister Dan van Holst Pellekaan, suggesting that a trial of a subsidy scheme or incentives for alternative energy sourced vehicles could be incorporated into the (then) forthcoming Action Plan. It is disappointing that this suggestion has not been included in the State Government’s Action Plan released in January 2021.

This submission urges the Australian Government to investigate subsidies and/or incentives for EVs and alternative energy-sourced vehicles.

Greater Adelaide Regional Organisation of Councils

The GAROC committee is formally established through the LGASA’s Constitution. It is a committee of the LGASA representing the collective voice of South Australia’s 19 metropolitan councils.

GAROC plays an important role in advocacy, policy initiation and review, leadership engagement and capacity building in the metropolitan region.

At its meeting on 15 March 2021, GAROC resolved to request:

1. that the LGASA Ordinary General Meeting requests the [LGASA] to lobby the Federal Government to remove the luxury vehicle tax on electric vehicles and to introduce incentives for local vehicle manufacturing to create local industries to change the Internal combustion fleet to an electric fleet based on renewable, locally produced power; and
2. that the Ordinary General Meeting requests the [LGASA] to lobby the State Government to assist councils convert to an electric vehicle fleet by providing incentives.”

This matter will be considered by the LGASA Ordinary General Meeting which meets on 30 April 2021. This submission is based on the resolution of the GAROC Committee.

Background

The Future Fuels Strategy: Discussion Paper

The LGASA notes that the Australian Government has released its Discussion Paper dated February 2021 inviting submissions until 3 April 2021. The purpose of the Discussion Paper is stated as establishing the Government’s direction and practical actions that will enable the private sector to commercially deploy low emissions road transport technologies at scale.

The Discussion Paper is guided by three principles:

1. Addressing barriers to the roll out of new vehicle technologies will increase consumer choice.
2. Government investment in early-stage technologies can stimulate the market and private sector investment.
3. Access to information can help people make informed choices.

The Discussion Paper identifies five priority initiatives:

1. Electric vehicle charging and hydrogen refuelling infrastructure where it is needed;
2. Early focus on commercial fleets;
3. Improving information for motorists and fleets;
4. Integrating battery electric vehicles into the electricity grid; and
5. Supporting Australian innovation and manufacturing

Electric Vehicles and the LGASA

The LGASA has the following policy on EVs, with the LGASA Policy Manual stating:

4.5.1 Electric Vehicles:

“Local government recognises that electric vehicles provide for potential zero emission transport and reduce negative impacts such as toxic emissions, engine noise and greenhouse gas emissions and that councils, because of their roles and responsibilities as road authorities, infrastructure providers, fleet managers and representatives of their local communities, can support and encourage the use of electric vehicles through their planning, policies, investment and procurement activities.”

The LGASA’s Board of Directors has approved the following actions for the LGASA:

1. enter into discussions to **develop a trial of a Federal or State funded subsidy scheme or incentives** in South Australia, for vehicles fuelled by alternative energy sources including electric, hybrid and hydrogen vehicles.

The LGASA’s GAROC Committee has approved the following actions for the LGASA:

2. to lobby the Federal Government to **remove the luxury vehicle tax on electric vehicles;**
3. to lobby the Federal Government to **introduce incentives for local vehicle manufacturing** to create local industries to change the Internal combustion fleet to an electric fleet based on renewable, locally produced power; and
4. to lobby the State Government to **assist councils convert to an electric vehicle fleet by providing incentives.**

The LGASA supports:

- the importance of providing subsidies and/or incentives to encourage fleet purchasers to further uptake emerging technology;
- as fleet purchasers, the influence of local government over the purchasing choices of private vehicle buyers, thereby setting an example of the use of emerging technology for the community, as well as encouraging the uptake of EVs in the community as many fleet vehicles are sold on to the community;
- the South Australian Government’s commitment to cut greenhouse gas emissions to 50 per cent of 2005 levels by 2030 and for South Australia to be a net-zero carbon emitter by 2050; and
- innovations to reduce emissions from transport which will play a critical role in achieving these targets in a financially and economically sustainable way.

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LGASA Submission on the Discussion Paper

The LGASA notes that the Discussion Paper does not support EV subsidies and does not propose removing the luxury car tax on EVs. However, its focus on a 'fleets first' approach, recognising the value of fleet purchases, and its support for the manufacturing sector, align with the approach supported by the LGASA's GAROC Committee.

The LGASA encourages the Australian Government to consider a range of measures to increase the uptake of EVs. The LGASA recognises that the greatest barrier to uptake of EVs is the cost, and that there are numerous environmental advantages. The LGASA argues that widespread EV uptake would also reduce Australia's reliance on imported fuels, reduce transport costs and create greater efficiencies in the economy. Other advantages include benefits to the community in having a cleaner environment, as well as road safety benefits as newer cars are brought into the market which incorporate new safety technology. Supporting a local manufacturing industry would provide significant additional benefits to the economy and community.

1. Developing a trial of a Federal or State funded EV subsidies scheme or incentives

The LGASA encourages the Australian Government to consider subsidies and/or incentives for the purchase of EVs.

Internationally, incentives play a significant role in the uptake of EVs. For example, in the UK, subsidies of around £6000 per EV are offered, with similar incentives in the US, Germany and Italy. Whereas sales of EVs in Europe rose from 3.3% of all new cars in 2019 to 10.2% last year, in Australia sales increased only from 0.6% to 0.75% over the same period.

Offering subsidies and/or incentives also sends a clear message to the community and to fleet purchasers, whether government or commercial, about the importance of EVs.

The LGASA notes that the Discussion Paper does not propose a subsidy or incentives scheme and urges the Australian Government to consider developing a trial of a subsidies or incentives scheme for electric vehicles.

2. Removing the luxury car tax on electric vehicles

The Australian Government currently imposes a luxury car tax amounting to 33% of the vehicle purchase price in excess of \$68,740, which captures many EVs. The LGASA understands that this tax was initially brought in to support the local automotive manufacturing industry.

The LGASA notes that the Discussion Paper does not propose removal of the luxury car tax on electric vehicles and urges the Australian Government to reconsider this position.

3. Introducing incentives for local vehicle manufacturing

The LGASA also recognises the importance of incentives for local vehicle manufacturing. The Electric Vehicles Council of Australia argues that significant advantages are on offer for local manufacturers to use existing but disused plant from the South Australian automotive industry, such as the former General Motors factory in Elizabeth. It argues that use of existing plant and machinery would ensure that Australia was a competitive market for EV manufacture and that it was at the forefront of a transition to EV uptake.

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There are already examples of South Australia local manufacturers producing EVs, with the BusTech Group preparing to produce around 60 electric buses for the NSW Government over the next 18 months, employing 110 South Australians.

Revival of the local South Australian automotive industry to manufacture EVs will not only boost employment but will ensure that Australia is at the forefront of the transition to EVs. South Australia is uniquely placed to develop this industry and the LGASA supports these measures in the Discussion Paper but encourages the Government to focus on the South Australian former automotive industry.

The LGASA notes the recognition in the Discussion Paper of the importance of supporting Australian innovation and manufacturing but urges the Australian Government to focus on a revitalisation of the South Australian automobile manufacturing industry.

4. Assisting councils convert to an electric vehicle fleet by providing incentives

The LGASA notes that the Discussion Paper is directed at the private sector, rather than the government sector. The LGASA urges the Australian Government to broaden the focus of the Discussion Paper to support local government uptake of EVs through its fleet purchasing powers.

The LGASA supports the Discussion Paper's 'fleets first' approach and agrees that "fleets are an effective pathway for early adoption of new vehicle technologies". However, the Discussion Paper does not propose incentives for local government to achieve EV fleet conversion.

Transition to EVs is one of the main ways in which local government can support the transition to EVs and this is recognised in the LGASA's Policy Manual (above). Research indicates that only by offering incentives can Australia reach a 100% EV total road fleet by 2050 and that any proposed tax on electric vehicles could lead to at least 25% fewer sales, severely jeopardising achievement of that EV target.

The LGASA notes the recognition in the Discussion Paper of the importance of a 'fleets first' approach but urges the Australian Government to include local government as a key mechanism to achieve this through incentives.

Conclusion

The LGASA supports a trial of a State or Federal government-funded subsidy scheme or incentives to support the transition to EVs and vehicles powered by alternative energy sources. The LGASA supports removal of the luxury vehicle tax for EVs and support for the South Australian local vehicle manufacturing industry. The LGASA supports the 'fleets first' approach advocated in the Discussion Paper but urges the Australian Government to widen this approach to the local government sector.

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