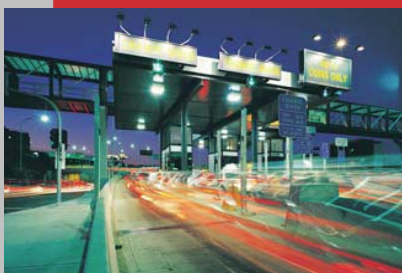


TTF is a national member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism & infrastructure sectors.

Tourism & Transport Forum

SUBMISSION ON THE VEHICLE FUEL EFFICIENCY DISCUSSION PAPER

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Contact

Mr Flyn van Ewijk
Manager, Climate Change
TTF Australia Ltd

P | 02 9240 2000
E | fvanewijk@tff.org.au

TTF 
A U S T R A L I A
Tourism & Transport Forum

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Summary of Recommendations

- Abandon the fuel excise offset under the CPRS or provide a similar offset for public transport.
- Amend FBT legislation to establish a level playing field between private and public transport.
- Reconcile import duties to encourage the purchase of low emissions vehicles.
- The Australian Government, as a matter of priority, establish a feebate scheme to encourage the purchase of low emission vehicles in Australia prior to the implementation of the CPRS.
- The Australian Government and COAG consider the development of a new road pricing regime which would levy registration and stamp duty depending on road use and vehicle emissions.
- Engage the NRMA and the Jamison Group in the development of an Australian Government commitment and roadmap for alternative fuels in Australia.
- The Australian Government adopt mandatory performance standards and targets for 2012 for new vehicles in line with that of Japan and the European Union.
- The Australian Government, through COAG, adopt a nationwide green vehicle stamp duty and registration scheme consistent with the ACT.
- Bring forward funding for the Green Car Innovation Fund to speed up the development and delivery of 'green vehicles' onto Australian roads.
- Government (at all levels) require tougher fuel economy and CO₂ emissions standards be met for government vehicles.
- The Working Group consider the need for planning and development of renewable energy recharging infrastructure in Australia.

1. About us - Tourism & Transport Forum

Tourism & Transport Forum (TTF) is the peak industry group for the Australian tourism, transport, aviation and investment sectors. A national, Member-funded CEO forum, TTF advocates the public policy interests of the 200 most prestigious corporations and institutions in these sectors.

Within the aviation, transport and tourism sectors, TTF’s membership consists of representatives from:

<p>Accommodation & Gaming</p> <ul style="list-style-type: none"> ■ Resorts & Hotel Chains ■ Owners & Investors ■ Timeshare ■ Serviced Apartments ■ Casinos 	<p>Tourism Infrastructure</p> <ul style="list-style-type: none"> ■ Precinct Managers ■ Institutional Investors ■ Infrastructure Owners ■ Ports ■ Airports 	<p>Transport & Aviation</p> <ul style="list-style-type: none"> ■ Airlines ■ Rental Cars ■ Coaches ■ Passenger Rail ■ Cruise Lines
<p>Marketing & Attractions</p> <ul style="list-style-type: none"> ■ Theme Parks ■ Cultural Attractions ■ National & Marine Parks ■ Tourism Marketing Organisations 	<p>Major Events, Retail & Hospitality</p> <ul style="list-style-type: none"> ■ Convention & Exhibition Centres ■ Restaurants & Wineries ■ Travel & Tourism Retailers ■ Venues 	<p>Professional Services</p> <ul style="list-style-type: none"> ■ Legal & Accounting ■ Advertising & Public Relations ■ Research & Education ■ Technology & Solutions

TTF welcomes the *Vehicle Fuel Efficiency Discussion Paper* and we ask that the Vehicle Fuel Efficiency Working Group consider the recommendations outlined in this submission on behalf of our Members.

2. Value of Australian Tourism

Tourism drives significant economic activity in Australia. The latest Australian Tourism Satellite Account for 2006-07, demonstrates the economic, export and employment value of Australian tourism:

- Economic Value – Tourism accounts for 3.7% (\$38.9 billion) of total GDP. Tourism gross value added exceeds that of agriculture, forestry and fishing; communication services; and electricity, gas and water supply.
- Export Value – Tourism contributes 10.5% of Australia’s total exports, due to international visitors consuming \$22.3 billion worth of goods and services. Tourism exports are second only to coal and exceed iron, steel, food and live animal exports.
- Employment Value – The tourism industry’s share of total employment is 4.7% (with 482,800 directly and 351,000 people indirectly employed). Tourism employment exceeds that of agriculture; mining; wholesale trade; finance and insurance; forestry and fishing; communication services; electricity, gas and water supply; personal and other services; and cultural and recreational services.

In 2006-07 the annual value of the Australian tourism industry was \$85 billion.

3. Tourism and Climate Change

It has been widely acknowledged that Australian tourism will be significantly affected by climate change.

In fact, the Garnaut Climate Change Review identified that climate change could have potentially catastrophic impacts on Australian tourism, including:

- Australia would be greatly diminished as an international tourist destination by climate change, given the likely effect on Australia's natural landscapes.
- A no-mitigation case would likely see the mid century effective destruction of the Great Barrier Reef, which will have serious ramifications for marine biodiversity and tourism.

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) projects increased average surface temperatures for Australia by 2020 of between:

- 0.1°C and 1.0°C for regions within 400kms of the coast; and
- 0.2°C and 1.3°C for regions further inland.

These are alarming projections given that the adaptive capacity of our biodiversity is limited beyond 1.0°C¹ and environmental assets are the foundation of Australia's \$85 billion tourism industry - the Reef alone contributes over \$6 billion annually to the economy.²

Further exacerbating the impact on tourism are changes in consumer behaviour and the cost imposed of climate change policy. In effect, tourism is caught in a pincer movement – between the impact of climate change on natural attractions and changing travel patterns induced by the growing consumer concern over transport-related greenhouse gas emissions.

Australia therefore requires effective and well targeted policies to reduce its emissions and set leading international examples of 'best practice'.

Developing appropriate strategies for reducing greenhouse gas emissions while maintaining a prosperous tourism industry is a complex challenge. Industry and governments must address this challenge, and work collaboratively to resolve these complexities, as a matter of urgency.

¹ CSIRO (2007) also refer IPCC AR4 which found that between 20 to 30 per cent of plant and animal species are likely to be at increased risk of extinction with global warming of only 1.5°C to 2.5°C. The UNWTO (2007 unpublished) note that endemic species, however, are highly sensitive to change and therefore more vulnerable.

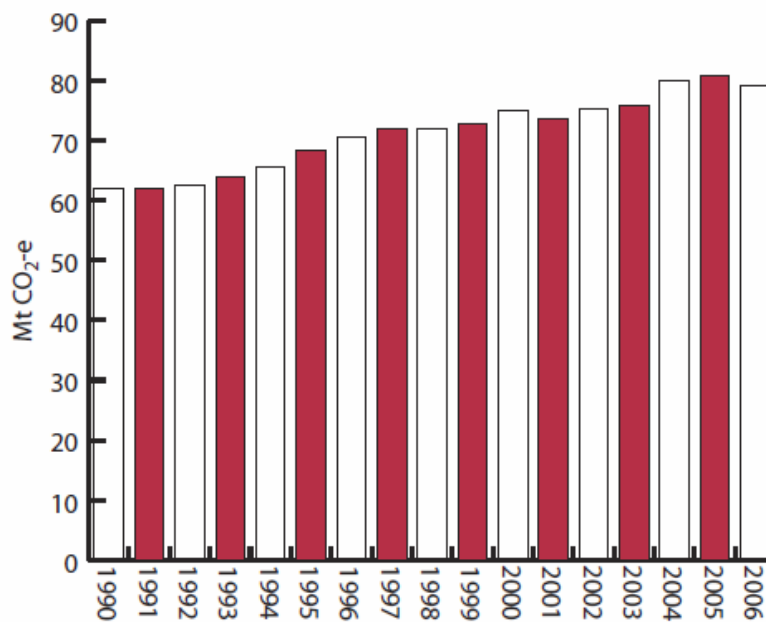
² Access Economics (2005-2006) Measuring the economic and financial value of the GBRMP.

4. Road Transport and the CPRS

Australia's 2006 National Greenhouse Accounts show that transport emissions (79 Mt CO₂-e) account for 13.7 per cent of Australia's total emissions. Within the transport sector 87 per cent of emissions are from road transport, with passenger cars the largest transport source, accounting for 54 per cent (42.6 Mt CO₂-e).

Furthermore, transport emissions are one of the strongest sources of emissions growth in Australia, growing 27 per cent between 1990 and 2006.

Australian Transport Emissions 1990-2006



Source: National Greenhouse Gas Inventory 2006, Department of Climate Change

As Australia's third largest source of carbon emissions (after stationary energy and agriculture) the Federal Government has taken a step in the right direction by including transport in the proposed Carbon Pollution Reduction Scheme (CPRS). Australia is the first country in the world to consider transport in an emissions trading scheme and the Australian Government should be commended on its inclusion.

TTF appreciates that the CPRS will place a cost on carbon, providing a price signal for Australian consumers and industry to change behaviour and encourage, where possible, investment in low emissions technology.

Nevertheless, TTF is concerned that the Green Paper proposal will do little to reduce transport emissions and in some cases actually serve to increase it, because of a combination of conflicting policy and market failure.

A key feature of the Green Paper is the provision of fuel offsets to private road transport, reviewed after three years, and road freight, reviewed after one year. These offsets essentially shield road users, in the short term and beyond, from any additional fuel price increases resulting from the CPRS.

This perverse outcome of the proposed scheme, as it stands, will be a financial disincentive for people to use public transport. At the very least, the scheme should provide a level playing field between private and public transport.

TTF commissioned Sustainable Infrastructure Australia to review the electricity expenditure of Australia's urban rail and light rail operators, and to estimate the effects of the CPRS on their power costs.

The modelling shows if the Government adopts a modest trajectory for greenhouse reductions, the total electricity bill for rail operators could rise by \$100 million over the first three years. If the Government aims for deeper cuts, that bill could rise to over \$180 million.

“In the third year of fuel excise offsets, the electricity cost for operators could be up to 80 per cent more than what is currently paid. These costs will inevitably be passed on to passengers through higher fares – a potential five per cent increase for commuters.

It is also important the CPRS be viewed in context of other government policies relating to transport. Alongside the current FBT exemptions on salary-packaged cars, the Federal Government risks creating a set of policy conditions that clearly advantage the use of private cars over more sustainable transport alternatives.

Furthermore, differences in import duties that benefit petrol-guzzling four-wheel drives over more fuel efficient and hybrid vehicles is another example of a policy framework which acts against the goal of reducing carbon pollution.

TTF therefore believes there are measures Government should introduce ahead of the CPRS which would reduce transport emissions, help the CPRS achieve its objectives by correcting market failures, and make it easier for households and business prepare for higher fuel costs under an emissions trading scheme. The latter point is in line with the Government's desire to allow motorists time to adjust by providing a fuel excise offset.

Recommendations:

- Abandon the fuel excise offset under the CPRS or provide a similar offset for public transport.
- Amend FBT legislation to establish a level playing field between private and public transport; and
- Similarly import duties should be reconciled to encourage the purchase of low emissions vehicles.

5. Priority Measures

TTF acknowledges that there are measures already in place to improve the fuel efficiency of Australian motor vehicles. However, given the impact of current measures have been relatively minor, new and innovative solutions are needed to increase the proportion of low emission vehicles on Australian roads.

It is evident there are market failures in relation to the purchase of fuel efficient and hybrid-electric vehicles in Australia. Research cited in the discussion paper suggests consumers undervalue the ongoing financial savings over the life of a vehicle arising from improved fuel efficiency.

This is consistent with anecdotal evidence provided by TTF's rental car Members, who have found public opinion surrounding reducing greenhouse gas emissions has not translated into demand for low emissions vehicles, as these vehicles invariably have a price premium.

It is therefore essential to resolve the current upfront price differential between low emissions vehicles and standard vehicles. For this reason TTF enthusiastically supports the 'feebate' proposal outlined in the discussion paper, which could effectively equalise the upfront costs of low-emission and standard vehicles.

TTF believes, based on anecdotal evidence from rental car operators and evidence provided in the Discussion Paper, that a feebate scheme linked with vehicle CO₂ emissions would provide a significant financial incentive for consumers to purchase more fuel efficient vehicles and a disincentive to purchase inefficient vehicles.

Despite the lack of international precedent for a feebate scheme, experience from other industries can be drawn upon. The Australian Government's solar panel rebate scheme, despite being means tested, has been very popular and resulted in significant uptake and installation of photovoltaic systems. Demand has been so strong that in just 16 months the Government has provided \$150 million in rebates – the equivalent of three years' funding.

TTF would support the implementation of a feebate scheme as early as possible so it can be factored into the purchasing decisions of Australians prior the commencement of the CPRS in 2010. This is consistent with the Australian Government's desire to allow Australian motorists time to adjust to the CPRS.

TTF believes there would also be merit in looking at a scheme that would encourage 'best in class' performance across vehicle categories, thereby meeting the transport needs of all Australians, not just those it suits to own small and compact vehicles which are generally more fuel efficient given their size.

Recommendation: The Australian Government, as a matter of priority, establish a feebate scheme to encourage the purchase of low emission vehicles in Australia prior to the implementation of the CPRS.

6. Other Measures

While TTF strongly supports the development and roll out of a feebate scheme in Australia, this should be supported by a suite of policies which would increase the number of low emission vehicles sold in Australia.

6.1. Road Pricing

TTF encourages the Working Group to broaden the scope of demand measures to include a new national system of road pricing based on kilometres driven and vehicle fuel efficiency.

Under this scheme registration and stamp duty would be charged retrospectively based on the kilometres-driven each year and the fuel efficiency of the vehicle.

TTF believes such a system would provide a more comprehensive pricing mechanism that reflects an individual's greenhouse gas emissions and usage of road networks. Those that pollute the most and use road infrastructure more frequently would pay more compared with those who own efficient vehicles and use them less frequently.

TTF believe this is something Australia should work towards in the future, using technology developed for toll roads.

Recommendation: The Australian Government and COAG consider the development of a new national road pricing regime which would levy registration and stamp duty depending on road use and vehicle emissions.

6.2. Alternative Fuels

A related issue to reducing emissions from motor vehicles is the development of alternative fuels in Australia. This will be necessary to ensure infrastructure is in place to cater for the increase in demand for energy efficient fuels.

In a recent submission to *Australia's Future Tax System* review, TTF argued the tax system can provide incentives for growth in energy efficient fuel industries through the removal or reduction of fuel excise on alternative fuels such as bio-diesel and natural gas. In addition tax rebates for producers and distributors of alternate fuels would ensure drivers have adequate access to these fuels on the road.

Additionally, alternate fuels should be encouraged by vehicle manufacturers who could provide incentives through Warranty support to ensure owners of these vehicles are not penalised or put at risk for using alternate fuels.

TTF believes the Working Group should consider the development of a roadmap to fuel self sufficiency, including the development of fuel technologies and alternative fuel sources.

TTF supports the work already undertaken in this area by the NRMA, who commissioned four leading experts in the field of transport and energy (Jamison Group) to develop A Roadmap for Alternative Fuels in Australia.

Recommendation: Engage the NRMA and the Jamison Group in the development of an Australian Government commitment and roadmap for alternative fuels in Australia.

6.3. Emissions standards for new light vehicles

TTF believes vehicle emission standards and targets for new vehicles in Australia need to be tightened and made mandatory.

Australian standards are entirely voluntary and, although first introduced in 1972, lag well behind the leading standards in Europe and Japan. For example, in 2007 new Australian vehicles achieved 226.1 grams of CO₂ per kilometre (or 8 litres of fuel per 100kms). In the 1960s the Volkswagen Beetle consumed only 7.2 litres of fuel per 100kms.³

Furthermore Australian and international experience shows that voluntary standards generally do not achieve their targets.

Recommendation: The Australian Government adopt mandatory performance standards and targets for 2012 for new vehicles in line with that of Japan and the European Union.

6.4. Registration and stamp duty

Registration and vehicle stamp duty can be tools utilised to support the take up of energy efficient vehicles. At present, energy efficiency has no bearing on either fee. In fact current exemptions encourage energy inefficiency, such as the exemptions for SUVs. A series of amendments to the stamp duty imposed by states and territories and import duties imposed by the Federal Government in combination with tax incentives in the form of rebates will provide a framework to alter the demand for energy efficient vehicles.

Currently no jurisdiction in Australia links registration charges with CO₂ emissions, and only the ACT intends to link stamp duty with CO₂ emissions from 2009.

Some Australian states do offer discounts for hybrid vehicles, Victoria, for example, provide a \$50 discount on registration for hybrid vehicles. Similarly, the City of Sydney prices resident parking permits depending on the vehicles rating in the Australian Government's Green Vehicle Guide.

The ACT "*Green Vehicles Duty Scheme*" provides a good model for amendments to both fees, whereby all new light vehicles are given a Green Vehicle Rating on which stamp duty rates are applied. Essentially the better the rating the less stamp duty is paid. The ratings are based on a combination of the greenhouse rating and the air pollution rating from the Commonwealth Green Vehicle Guide. Such incentives can be utilised in other States and Territories, paying particular attention to the fact that any increases in the current base rate of vehicle stamp duty could be viewed as revenue raising and defeat the purpose of the scheme.

³ Jamison Group (2008) *A Roadmap for Alternative Fuels in Australia*, pg 25.

TTF would support a nationally consistent realignment of registration and stamp duty charges based on vehicle emissions.

Recommendation: The Australian Government, through COAG, adopt a nationwide green vehicle stamp duty and registration scheme consistent with the ACT.

6.5. Government Funding and Procurement

The Federal Government should invest in its own hybrid fleet of vehicles as a way to encourage increased use, manufacture and research and development of low-emission vehicles, such as hybrids, in Australia.

TTF supports the \$500 million Green Car Innovation Fund, including \$35 million for Toyota to support the manufacture of a hybrid Camery in Australia. However, the fund isn't due to commence until 2011, following the introduction of the CPRS.

Introducing tougher standards for government procurement is a cost effective way of driving innovation and improvement in fuel economy of Australian vehicles, given 7 per cent of new vehicle sales in Australia are from government.

Recommendation:

- Bring forward funding for the Green Car Innovation Fund to speed up the development and delivery of 'green vehicles' onto Australian roads.
- Government (at all levels) require tougher fuel economy and CO₂ emissions standards be met for government vehicles.

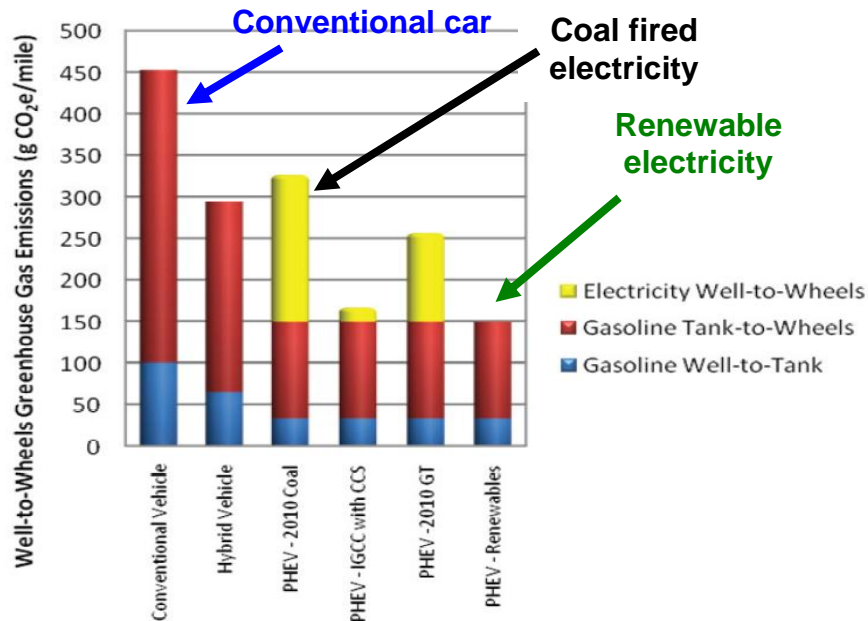
6.6. Energy infrastructure

The development of electric vehicles and particularly plug-in hybrid electric vehicles (PHEV) has a number of related issues that go beyond the scope of the Discussion Paper.

Both Toyota and General Motors (GM) plan on selling PHEV as early as 2009, and while Australia is likely to see the GM model from 2010, Toyota has made a decision not to sell its PHEV as Australia's emissions intensity from electricity generation is too high, making the a PHEV more greenhouse intensive than current hybrid models such as the Toyota Prius.

PHEV Greenhouse Gas Emissions

Comparison of PHEV emissions charged from various power stations types
(Year 2010, 19,300 km per year, 30km electric range)



Source: Josh Usher, Institute for Sustainable Future, University of Technology Sydney, Presentation to Global Cities 08 Conference, October 22 2008.

In this regard, TTF supports the Federal Government's Renewable Energy Target which will increase the proportion of renewable electricity generated in Australia to 20 per cent by 2020.

Alongside measures to increase the uptake of fuel efficient vehicles (which will include PHEV from 2010) planning and development of vehicle recharging infrastructure is also critical.

TTF therefore enthusiastically supports steps already taken by AGL and Macquarie Capital who have signed an agreement with international group Better Place to provide infrastructure to support PHEV. Under the agreement, Macquarie will raise \$1 billion to build an electric-vehicle network in Melbourne, Sydney and Brisbane, and AGL will power it with renewable energy.

Recommendation: The Working Group considers the need for planning and development of renewable energy recharging infrastructure in Australia.



TTF Australia Ltd | PO Box R1804 | Royal Exchange NSW 1225
8th Floor | 8-10 Loftus Street | Sydney NSW 2000
T 02 9240 2000 | **F** 02 9240 2020 | **E** contact@tff.org.au | **W**
www.tff.org.au