



19 July 2019

Ms Yvette Booth
Department for Energy and Mining
South Australian Government
GPO Box 320, Adelaide, South Australia 5001
ElectricVehicles@sa.gov.au

Dear Ms Booth,

RE: Submission to the Government of South Australia to support the development of the Electric Vehicle Strategy

Infrastructure Partnerships Australia is pleased to provide this submission to the South Australian Government in response to the industry consultation on an Electric Vehicle Strategy for South Australia. Infrastructure Partnerships Australia is an independent think tank and an executive member network, providing research focused on excellence in social and economic infrastructure.

Electric vehicles (EVs) offer the potential to unlock significant economic and environmental benefits for South Australia (SA). This inquiry provides a unique opportunity to shape the policies that realise those benefits. We recommend this inquiry considers measures to ensure growth in EVs also brings greater fairness, efficiency and financial sustainability to SA road networks.

EVs are coming, and that's a good thing

Over the coming decade, EVs will make up a considerable, if not dominant, proportion of the new light vehicle market.

Combustion engine vehicles will continue to make up a substantial proportion of the existing fleet. However, the declining cost, increasing efficiency, ease of maintenance and reliability of EVs will make them the preferred consumer option (particularly for urban markets). Put simply, EVs will become a better solution for personal mobility, relative to internal combustion engine vehicles, for most Australians.

In May 2018, an Australian Electric Vehicle Market Study, prepared by Energeia, forecast that both battery electric vehicles and plug-in hybrid vehicles sales would reach 615,000 by 2030 and 1.89 million by 2040. This represents 49% and 100% of sales respectively.

How we pay for roads should be fair and sustainable

The rise of electric vehicles represents a huge challenge for the already unfair and unsustainable way we pay for roads.

The current way Australia funds its roads is unfair. Fuel Excise is a poor proxy for charging for road use, and penalises those who, by necessity, put the most fuel into their cars. It penalises those who cannot





afford newer, more fuel-efficient vehicles. It also penalises individuals who live in areas with poor transport options, including those in regional and outer suburban areas, who have little choice but to drive to access jobs and services.

Electric vehicle motorists of course pay nothing at the pump, and only contribute to the road network through state-based road access charges, such as registration and licence fees. As more EVs enter the market, combustion-engine motorists will increasingly cross-subsidise EV motorists' use of the road network.

The system is unsustainable. Fuel Excise has been flat or declining for many years, despite a rise in vehicle kilometres travelled across the country. As mentioned above, this is only set to worsen as vehicles become more efficient, and as more electric and hybrid vehicles enter the fleet. The future uptake of EVs is projected to drive a rapid and terminal decline in the revenue base the Commonwealth receives each year from Fuel Excise receipts. The Parliamentary Budget Office's 2018 report *'Trends affecting the sustainability of Commonwealth taxes'* cited declining Fuel Excise as one of the most significant threats to the Commonwealth's revenue base.

Federal Fuel Excise duty is no longer a viable way of paying for roads. The current model provides no hypothecated source of stable revenue for state and territory Government's to fund their road networks. This source of funding has been in long-term decline since the early 2000s as vehicle fuel efficiency has improved. While the reintroduction of indexation for Fuel Excise in 2015 has moderated the decline, the imminent rise of EVs will only exacerbate the problem. How will the roads of the future be paid for when EVs dominate the national fleet and use the road network for free?

We need a Road User Charge (RUC) for EVs

Infrastructure Partnerships Australia recommends a nationally-consistent, whole-of-network Road User Charge (RUC) on vehicles that are not required to pay Fuel Excise, specifically EVs and other very low emissions vehicles. This would provide the fairest and most efficient outcomes for users across the country, and a single set of national rules would provide confidence to infrastructure investors and automotive manufacturers.

The Federal Government is best placed to take the lead on this reform. However, South Australia should consider alternative funding options for the road system as a part of any EV strategy, and should consider playing a leading role in driving broader reform. If not addressed, the deterioration of the Commonwealth's road funding base will inevitably squeeze the budget allocated to SA transport projects.

Any new charging system implemented in South Australia need not detract from EV uptake, and can in fact be used to provide certainty to prospective EV owners about future costs. The RUC could be annually capped, or set at a minimal rate to prevent it exceeding the equivalent Fuel Excise for an equivalent combustion engine vehicle.

All revenue raised from any EV charging regime should be re-invested in transport infrastructure to maintain the existing networks and develop additional capacity.

EV uptake can be encouraged alongside a RUC

Infrastructure Partnerships Australia recommends this inquiry investigate the future of road funding in tandem with consideration of measures to increase EV uptake. The implementation of a RUC for EVs can and should be coupled with uptake encouragement.





There are clear economic and environmental benefits for EV use which would be unlocked by removing barriers to purchase and operation for prospective EV owners. On this basis, the South Australian Government should investigate removing disincentives for EV uptake, and accompanying policies to accelerate the transition to EVs.

For instance, if delivered alongside the introduction of a RUC for EVs, the reduction of luxury car tax and vehicle import duties for EVs could support an integrated and sustainable incentive package. South Australia may also wish to consider the reduction of stamp duties and registration costs for EVs as a means of encouraging uptake, while ensuring road funding is fair, efficient and sustainable for all transport users now and into the future.

The opportunity to enact change is now, ahead of the EV technology wave

There is currently an opportunity to reform road funding while electric vehicle ownership is low. However, the window of opportunity is rapidly closing.

It is important that action is taken now, ahead of the wave of this new technology. Electric Vehicle adoption is a global trend and South Australia has an opportunity to maximise the benefits of change by implementing reform ahead of the wave.

Policy and regulatory action must be taken before mass market uptake of EVs makes sensible reform electorally unachievable.

Thank you for your consideration of this submission. Should you require further information please contact Mr Jon Frazer, Director of Policy and Research on (02) 9152 6017 or jon.frazer@infrastructure.org.au.

Yours Sincerely,



Adrian Dwyer
Chief Executive Officer
Infrastructure Partnerships Australia

