



4 March 2024

Cleaner cars consultation team
Department of Infrastructure, Transport,
Regional Development, Communications and the Arts
Canberra ACT 2601

Consultation submitted via email: CleanerCars@infrastructure.gov.au

Dear consultation team,

RE: NFF submission to Australian New Vehicle Efficiency Standard Consultation Impact Analysis

The National Farmers' Federation (NFF) appreciates the opportunity to provide a submission to the Australian New Vehicle Efficiency Standard—Consultation Impact Analysis (CIS).

The NFF is the national peak body representing Australian farmers and agriculture. The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

Building on the 2023 Fuel Efficiency Standard Consultation Paper, the NFF sees the publishing and request for comment on a regulatory impact statement as a critical component of any implementation pathway for this policy. This is particularly true for a policy of this size and potential impact.

The NFF supports efforts to address climate change and pollution, including through strategies to make cars more fuel-efficient. However, the introduction of vehicle efficiency standards must consider any impacts on Australia's agriculture sector and the productivity of farm businesses.

A failure to adequately consider such issues, both at a policy construct and implementation level, risks both impacts on Australian food and fibre production as well as limiting the efficacy of the New Vehicle Efficiency Standards (NVES) in achieving its intent and aims.

The NFF recognises that NVES are proposed to be applied to RE at the fleet level, rather than the individual vehicle level. However, we believe that until such a time

that producers have genuine options to purchase vehicles that do not incur a penalty for a Regulated Entity, they are at risk of shouldering the impacts of the NVES. While recognising the potential merit of the program for other vehicle users who have a greater suite of new lower emissions vehicles (LEV) options, until such a time that producers have such a genuine choice, the NFF is urging caution on the part of the Government.

For the purposes of this submission, the NFF has focused its comments principally on Light Commercial Vehicles (LCV) such as utility vehicles (utes) given their use as a 'tool of the trade' for most primary production businesses. While other vehicles used by members of the farming community are likely covered by the NVES, such as SUVs and other family vehicles, they are not the focus of this submission.

This submission addresses the following issues;

- **Overview:** the importance of the LCVs in Australian food and fibre production and the need to both understand and adequately consider the unique purchase, operational, repair, maintenance and disposal profile of agricultural LCV users.
- **The agricultural sector's commitment to emissions reduction activities:** the NFF supports efforts to address climate change, including through strategies to make vehicles more fuel-efficient and producing lower emissions. The NFF supports increased product offerings for LEV for the agricultural sector.
- **Primary challenges with the NVES policy implementation:** various factors related to current LEV market offerings, supporting infrastructure requirements and the nature of vehicle use in agricultural businesses mean that it is unlikely that the primary producers will be in a position to materially purchase LCVs that would contribute positive NVES credits to a Regulated Entities.
- **Secondary challenges with the NVES policy implementation:** given the above, producers will be directly exposed to the consequential effects of the policy on existing vehicles such as price increases, supply and availability disruptions and other distribution and service network issues. Detailed analysis must be undertaken to understand these issues prior to any further progression of the policy.
- **Additional comments on CIS:** the NFF believes an expanded and more detailed program of review should be required if the NVES is to come into force, as well as a significantly improved communication and outreach campaign not just to primary producers and regional Australians but to all motor vehicle users.

Based on the items outlined above the NFF has made two recommendations with respect to the NVES that it believes should be implemented:

1. The NFF recommends the sale of NVES-covered vehicles for primary production purposes are provisionally excluded from the calculation of a supplier's net NVES ledger until such a time that producers have a more fulsome LEV market that allows them to purchase a vehicle that would provide a credit to a supplier. Failing this, until it can be demonstrated that

producers will not incur material impacts as a consequence of the Regulated Entities seeking to comply with their NVES obligations.

2. The NFF recommends that the Government adopt Option A for the policy implementation in order to best respond to the issues outlined for the agricultural sector, seek to address the concerns raised by many vehicle manufacturers and be in alignment with countries such as the United States.

Again, the NFF appreciates the opportunity to provide feedback on the CIS. This is a significant policy change that will impact nearly all of Australia's farmers.

The policy contacts for this matter are Warwick Ragg, General Manager of Natural Resource Management via e-mail: wragg@nff.org.au, and Chris Young, General Manager of Trade & Economics, via e-mail: cyoung@nff.org.au or phone (02) 6269 5666.

Regards,



TONY MAHAR

CEO

Overview

Agriculture is heavily reliant on a range of vehicles, machinery and equipment to support on-farm activities. Such plant and equipment is an unalienable input to the businesses of all producers across the country, and as a consequence Australia's food and fibre production capacity.

The NFF supported the principle of 'design assumption' outlined in the May 2023 consultation paper that the NVES will not apply to heavy vehicles, such as agricultural, construction or mining equipment, motorhomes and horse trucks. To that end, we welcome the continued exclusion of such vehicles as noted on page 15 of the CIS.

In terms of specific vehicles, the farming sector is particularly reliant on light LCVs, primarily utes which offer a requisite combination of towing capacity, payload-carrying capability, off-road performance and in many cases support the use of agricultural-specific equipment and functions.

The availability of LCVs is critical to the production of food and fibre in Australia. Australian farmers require the uninterrupted ability to access, purchase, operate, sell and repair these types of vehicles across regional, rural and remote regions.

The geographical remoteness of primary production businesses has a direct impact on vehicle usage. Vehicles need the ability to operate over significant distances, with available access to distribution and maintenance networks often many hundreds of kilometres away from their business. In more remote locations, such as pastoral enterprises in the north of Australia, many businesses will employ a qualified mechanic to service their fleet of LCVs, alongside other machinery.

It is imperative that policymakers accurately understand and consider the unique usage profile and operating environment of LCV usage in Australian agriculture. This can differ significantly from other LCV users in the economy such as tradespersons and even within agricultural industries themselves.

Additionally, while when taken as a whole the LCV market appears to have a range of market offerings from a range of suppliers, it is important to recognise the unique offering and purchasing patterns exhibited by primary producers. Due to their specific characteristics, specific D-class makes and models such as Toyota Landcruisers and Hiluxes, as well as Nissan Patrols, represent an oversized and concentrated portion of LCVs purchased by primary producers.

The NFF urges the Department to consider the unique use and purchase trends of LCVs by primary producers as compared to other users. As will be outlined further in this submission, such characteristics have an impact on the extent to which primary producers can purchase LEV and the potential extent to which they may be impacted via their future purchases of traditional internal combustion engine (ICE) vehicles.

The agricultural sector's support for emissions reduction efforts

It is important to state clearly that the NFF supports emissions reduction efforts, with the sector supporting an economy-wide aspiration of net zero emissions by 2050. Australian agriculture has, and will continue to, play its part to support Australia's emissions reduction aims.

A transition to a low-emissions economy will require transformation across a number of complementary sectors, especially electricity and transport. Policy adjustment and investment in research and development will be crucial to meet this task. The farm sector continues to co-invest in better research and development to meet farmers' need for information, and deliver new tools and technologies aimed at lowering emissions.

With regards to on-farm vehicle, machinery and engine use, the sector is directing significant research funds to support a pathway to viable alternatives to fossil fuel-reliant engines for on-farm application. While broader than the vehicles proposed to be regulated by the NVES, AgriFutures Australia has led a significant body of work titled 'The Diesel Transition - Petroleum diesel alternatives for the Australian agriculture, fisheries and forestry sector'.

This research program has both demonstrated the sector's appetite for uptake of reduced-emissions technologies to power on-farm applications, but also the challenges and obstacles they face in doing so at present.

Primary challenges with the policy implementation for primary producers

At present there is an extremely limited range of LEVs available, or in prospect, to primary producers that could offer a viable alternative to the current predominantly ICE vehicles used by the sector.

To this end, the NFF is concerned that the 'regional analysis' component of the CIS seems to exclude a consideration of LCV in a primary production context.

We note the following paragraph from the CIS:

The regional analysis similarly finds that the benefit-to-cost ratio [BCR] increases as the region becomes more remote. Different parts of Australia reflect different car purchasing and driving behaviours, with more remote areas driving greater distances, having higher rates of vehicle ownership and purchasing larger cars, more 4WDs and utes. Our analysis finds that for all options there are higher BCR outcomes for regional and rural locations. In other words, rural, regional and remote areas have a better return on each dollar spent. This is driven by larger fuel cost savings expected for people in areas that drive greater distances and higher rates of vehicle ownership.

While we acknowledge the premise based on vehicle ownership and fuel savings, this fails to acknowledge that currently, electric or hybrid LCV options are not practical, affordable or readily available for farm use (or more broadly, regional use) in Australia. Benefits can only be realised if farmers and regional Australians can access the new and improved technology this standard proclaims to facilitate.

While the agriculture sector welcomes investment in exploring credible, cost-effective alternative energies, these need to be assessed against the range of

options with a particular focus on portability, logistical access and cost-benefit factors.

Further, the NFF notes the very limited references to other uptake challenges. One of these is the infrastructure limitations, with the CIS noting that improving the take-up of fuel-efficient vehicles may be hindered by inadequate infrastructure, including the lack of charging infrastructure for electric vehicles and the limited availability of alternative fuels.

This statement is true across Australia but the impact is far more acute in regional, rural and remote areas, where producers do not have the required infrastructure, in communities or on-farm. This is not simply limited to charging infrastructure, extending more broadly to purchase, repair & maintenance services.

Given these issues, it is unlikely that a material number of primary producers will be in any viable position in the short to medium term to purchase LCV that would contribute positive credits to a Regulated Entity's NVES ledger.

Secondary challenges with policy implementation

Given the above, it is likely that primary producers will for the foreseeable future continue to purchase vehicles that serve as a debit to a Regulated Entities' NVES ledger.

The NFF thus holds strong concerns that primary producers will be directly exposed to the consequential effects of the policy on existing ICE vehicles if Regulated Entities can not obtain the required NVES credits to offset the debits that will be incurred on existing vehicles.

As outlined at the recent stakeholder roundtable, many car manufacturers have expressed strong concerns with regards to the NVES policy, and in particular the implementation of Option B. Major suppliers were clear that they did not believe they had the supply chain capacity or market offerings to allow them to either 'net off' the expected costs of the policy now, or into the near future.

Such views have been repeated publicly, with a senior Toyota representative recently stating:

Faced with fines for exceeding the emissions cap, and the extra development cost associated with rolling out technology to clean up big vehicles, [the representative] says Toyota Australia has three choices.

The first is to pass the fines on to consumers in the sticker price of new vehicles, the second is to stop bringing high-emitting vehicles Down Under, and the third is to buy "credits" from carmakers with lower overall fleet emissions to offset your own surplus.

"If we were to be fined, the margins and the investments that go into developing these [low-emitting alternatives] is such that the customer would wear a good portion, if not all of it," [the representative] said

The CIS does make a brief consideration of supply chain issues. It notes that

Manufacturers may encounter supply chain challenges in relation to the critical minerals and other resources needed for the manufacture of zero-emissions vehicles. As all new cars sold in Australia (that are registered on the Register of Approved Vehicles (RAV)) are manufactured outside of Australia, any global instability can have an adverse impact on supply to Australia overall, and not just for fuel-efficient vehicles.

The NFF believes this is a woefully inadequate, simplistic and overly academic consideration of the supply chain issues that may impact the implementation of this policy. Further, the assumption set and commentary provided in the CIS appendices do not appear to sufficiently account for these issues.

The NFF believes that prior to any further implementation of the policy, detailed analysis must be undertaken into:

- The supply chain capacity and technological readiness for NVES;
- An industry-by-industry and geographically-specific analysis to ascertain the impacts at a more granular level for industries reliant on NVES-covered vehicles;
- Supplier-level analysis to ascertain impacts on specific Regulated Entity supply chains whereby an industry has a concentrated purchase profile from one or more of the major vehicle suppliers;
- Expected purchase price increase that may be passed onto vehicles that incur a penalty against the NVES; and
- Any availability disruptions to existing ICE vehicle service networks.

Additional comments on CIS

Section 8.1 of the CIS provides details as to the program of monitoring and evaluation that is proposed to occur should the NVES come into force. Such monitoring should consider the ongoing nature of the issues outlined in the previous section, and not just to ascertain the program's efficacy in achieving its 'intended benefits' of CO2 emissions reduction, reduced fuel consumption, availability and affordability of LZEVs and Improved health outcomes for Australians.

We also note the importance of a significantly enhanced communication program concerning the implementation of this standard. Farmers, regional Australians and those who rely on LCVs for work purposes require additional and clear information as to the direct impacts of this standard.

Recommendations

Given the primary and secondary challenges that arise due to the unique circumstances of LCV use by primary producers, the NFF believes that a provisional exemption from NVES coverage for vehicles used in primary production is warranted.

Such a provision would remain in place until a time that producers have viable and realistic options to purchase a vehicle that would provide a credit (rather than debit) to a Regulated Entity, or that it can be demonstrated that producers will not incur material secondary impacts from the policy such as increased purchase prices for ICE vehicles.

From a policy construct perspective, the NFF notes the following guiding principle and measure of success used to inform the CIS:

Equitable: All Australians can access the vehicles they need for work and leisure. Intervention needs to be equitable, and not unduly negatively impact any particular group of people or part of Australia.

Measure of success: A design which does not disadvantage small or affordable vehicles, to protect the continued supply of these vehicles to the Australian market. Ensure that people generally, and specific cohorts, have access to fuel-efficient vehicles.

The NFF would propose the following amendments (underlined):

Equitable: All Australians can access the vehicles they need for work, essential industries such as emergency services and food production, and leisure. Intervention needs to be equitable, and not unduly negatively impact any particular group of people or part of Australia.

Measure of success: A design that does not disadvantage small or affordable vehicles, and users with no viable alternative, to protect the continued supply of these vehicles to the Australian market. Ensure that people have access to fuel-efficient vehicles.

Irrespective of the above, the NFF supports the Australian Government taking a cautious approach to the implementation of the NVES and adopting Option A for the implementation of the policy. Such an option would seek to best respond to not just the issues outlined for the agricultural sector, but seek to address the concerns raised by many vehicle manufacturers and be in alignment with major markets such as the United States.