

Time to modernise the NSW approach to electric cars

A major debate has broken out about electric cars in Australia.

On the one hand, electric cars don't pay the fuel excise tax – which means the generally wealthier people who currently own EVs are not contributing funding via that mechanism, and this will only increase with uptake.

On the other, we face a more fundamental problem: Australia lags the rest of the developed world in terms of EV uptake – a casualty of the federal government's commitment to not leading on climate action.

We are stepping into this debate with a clear message: the right answer is to solve both problems at the same time.

NSW should provide purchase rebates to offset the upfront costs of EVs, as virtually every country in the OECD does, and at the same time put in place a road user charge so that electric cars will pay based on how far they drive.

We urgently need to accelerate EV adoption

Electric cars represent an enormous opportunity for Sydney, and for Australia.

Currently, electric cars represent a tiny 0.6% of the almost 1 million annual new car sales in Australia, despite the technology being more than ready for mass adoption.

The fact is, car pollution makes people sick – disproportionately lower income Sydneysiders, who often live close to main roads. And it's driving global warming, with more than a fifth of the state's [emissions due to transport](#).

Speeding the transition to clean electric cars will be a public health, as well as environmental, win.

Road user charging is one of the best ways to generate revenue

It is a user-pays funding source that makes a logical and intuitive connection between what you do (drive) and the costs to do it (build and maintain the roads).

With a road user charge, people who drive a lot pay more; people who drive less pay less – so in that sense it is fair and it provides the right incentives.

Finally, a road user charge (RUC) could be structured to provide a tool for managing congestion; for example, with a lower charge at off-peak times.

The fuel excise has been flat or declining for many years. As EVs and more fuel-efficient vehicles are adopted, and as trips shift to mobility as a service, the excise tax will decline further.

Remember, electric cars are still cars. The [embodied carbon](#) to produce them is still a significant environmental impact, and the congestion they cause on the road is identical to any other car.

A road user charge is the best solution for this problem – a revenue source that can replace the fuel excise tax over the long run.

Our goal is a transport system where:

- Most trips within Sydney can be accommodated by public transport, bicycle, and foot
- Cars and trucks are easy to use for purposes that really need them – deliveries, tradies, people who are mobility-impaired, dropping kids off, and of course getting to places that are not well-served by other modes
- The vehicle fleet is 100% electric, with the electricity powered by renewable energy
- Many people use vehicles without owning them – relying on car-sharing and ride-sharing services, which of course are themselves 100% electric
- All vehicles contribute funding for use of the public right of way at a level that helps maintain the system and manage congestion.

We believe road user charging and incentives for EVs provide an opportunity to move forward on multiple elements of this vision simultaneously.

Why now is the time

The political logic is this: the best time for Government to put in place a road user charge is now. Later, when EVs are more common, a new road user charge will be a shock to the market.

Because electric cars have lower operating costs than conventional vehicles, a small road user charge will not disincentivise them.

The real barrier to purchasing EVs is how much they cost up front – so reducing that cost through rebates is the most important way to accelerate adoption.

Treasurer Perrottet's [Federal Financial Relations Review](#) proposed a road user charge on EVs as a way to prepare for the day we all want to get to when EVs make up 100% of the market.

The Victorian government has announced a [package of measures](#) do the same thing – including an additional policy to provide \$3,000 purchase rebates on EVs.

This is the right approach, although we believe larger rebates are will be needed if we are serious about driving EV adoption.

Other strategies are needed

We would note that there is a lot more beyond these two measures that needs to be done:

- Speeding transition of the State Government’s fleet to EVs, above and beyond the current commitment for 30% by 2023, which will also help create a market for second- hand EV sales
- Regulations on fleets, to require them to convert to EVs by a certain date
- A strategy to fill gaps in charging infrastructure. [State funding](#) for fast EV charging infrastructure and amending the National Construction Code and Building Sustainability Index (BASIX) to ensure new buildings are EV-ready is a good start.

Most countries do some of the heavy lifting via fuel efficiency regulations. If Australia’s federal government continues to block them, these other policies will be necessary.

NSW has the opportunity to solve several key problems at once

We urge the NSW Government to move aggressively on a road user charge and a package of significant EV purchase incentives, supported by other key policy measures.