FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES

15 September 2025

Productivity Commission
4 National Circuit
Barton, ACT, 2600

Submitted via website

To whom it may concern,

Re: Federal Chamber of Automotive Industries submission to *Investing in cheaper, cleaner energy and the net zero transformation* Interim Report.

The Federal Chamber of Automotive Industries (FCAI) welcomes the opportunity to provide the following feedback on the Productivity Commission's interim report, *Investing in cheaper, cleaner energy and the net zero transformation.*

The FCAI is the peak industry body representing the Australian automotive sector, including the manufacturers, importers and distributors of more than 1.2 million light duty vehicles, motorcycles and off-road vehicles per annum. FCAI members generate more than $8 billion in state and federal taxes annually through payroll tax, income tax, GST, luxury car tax, tariffs, registration and stamp duty.

A full list of FCAI members is available at https://www.fcai.com.au/about-fcai/member-manufacturers/.

The FCAI and its members support the objective of the Productivity Commission, through the five pillars review, to identify and report on priority reform areas that support the Federal Government's growth and productivity agenda.

Interaction of New Vehicle Efficiency Standard (NVES) and incentives

The FCAI does not agree that the NVES and incentive schemes like the Fringe Benefits Tax (FBT) exemptions are duplicative. These policies operate on different aspects of the market: the NVES influences supply, while incentives influence vehicle demand.

Since they commenced in 2022, the FBT exemptions for battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) have boosted uptake of low and no emission vehicles, although exemptions for PHEVs have now ceased.

While the FBT exemptions have been effective for a narrow cohort (mainly through novated leasing and fleets), demand for BEVs and PHEVs remains the major obstacle. Despite more than 100 BEV models and 50 PHEV models on the Australian market in 2025, BEVs account for less than eight per cent of new sales (VFACTS, YTD August 2025).

Broader demand-side measures could achieve a faster transition for the Governments emission reduction ambition. We recommend the Government focus policies towards:

- Charging infrastructure, especially for apartments and regional areas;
- Grid and distribution upgrades; and
- Targeted incentives for a wider consumer base.

Australian Design Rules (ADR) Harmonisation

The FCAI has previously submitted to other government consultations on the need to harmonise ADRs for vehicles to global standards where there is no compelling case for enforcing a unique Australian standard. The FCAI recommends withdrawing unique ADRs for light passenger vehicles and light commercial vehicles and replacing them with fully harmonised regulations developed by the UN World Forum for the Harmonisation of Vehicle Regulations (WP.29).

Harmonisation with global standards reduces the costs of re-engineering vehicles for a relatively small-volume market like Australia and supports timely consumer access to advanced technology at competitive cost.

The ADRs that should be withdrawn and replaced with UNRs include:

- ADR 34 - Child Restraint Anchorages and Child Restraint Anchor Fittings
- ADR 69 - Full Frontal Impact Occupant Protection
- ADR 73 - Offset Frontal Impact Occupant Protection
- ADR 81 - Fuel Consumption Labelling for Light Vehicles

Similarly, the ADRs that contain some unique requirements that should be harmonised with relevant UNRs include:

- ADR 42 - General Safety Requirements
- ADR 43 - Vehicle Configuration and Dimensions
- ADR 61 - Vehicle Marking

Conclusion
The Commission rightly highlights that emissions reduction policies come with costs. The key to a quick transition towards a low emission fleet is affordability. The automotive industry has responded to Government policies by increasing supply of electric vehicles in Australia.

Without targeted demand measures, consumers are not transition at scale. We recommend rebalancing demand policies towards charging, grid infrastructure and targeted incentives, while harmonising ADRs to global standards.

Should you wish to discuss it in more detail, please feel free to contact Philip Skinner, Director – Policy and Advocacy,.

Kind Regards

Tony Weber
Chief Executive