

Zero and Low Emission Vehicles Road User Charge

Discussion Paper

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Background

The Tasmanian Government is committed to leading Australia's transition to a low emissions economy.

As part of this, the Government is supporting the uptake of zero and low emissions vehicles (ZLEVs) in Tasmania by:

- working with local government, business and industry to rollout public electric vehicle charging infrastructure to support state-wide coverage;
- transitioning the Tasmanian Government light vehicle fleet to 100 per cent electric vehicles by 2030; and
- encouraging broader ZLEV uptake with short-term incentives including:
 - a two-year waiver of duty on the purchase of new and second hand electric and hydrogen fuel cell vehicles from 1 July 2021; and
 - a two-year waiver of registration for electric vehicles purchased by car rental companies and coach operators.

The Government announced in the 2021-22 Budget that a road user charge (RUC) for ZLEVs will apply in Tasmania from 1 July 2027, or when ZLEVs make up 30 per cent of all new vehicle sales, whichever comes first. The 2022-23 Budget confirmed this and noted that legislation to support the ZLEV RUC is likely to be introduced in 2023 following consultation on its key design features.

The proposed key design features of a Tasmanian ZLEV RUC detailed in this paper have been based on arrangements that have been legislated or announced in other jurisdictions. This is intended to ensure equity and simplicity for all ZLEV drivers. Details of arrangements in other jurisdictions are summarised in Attachment A.

Consultation

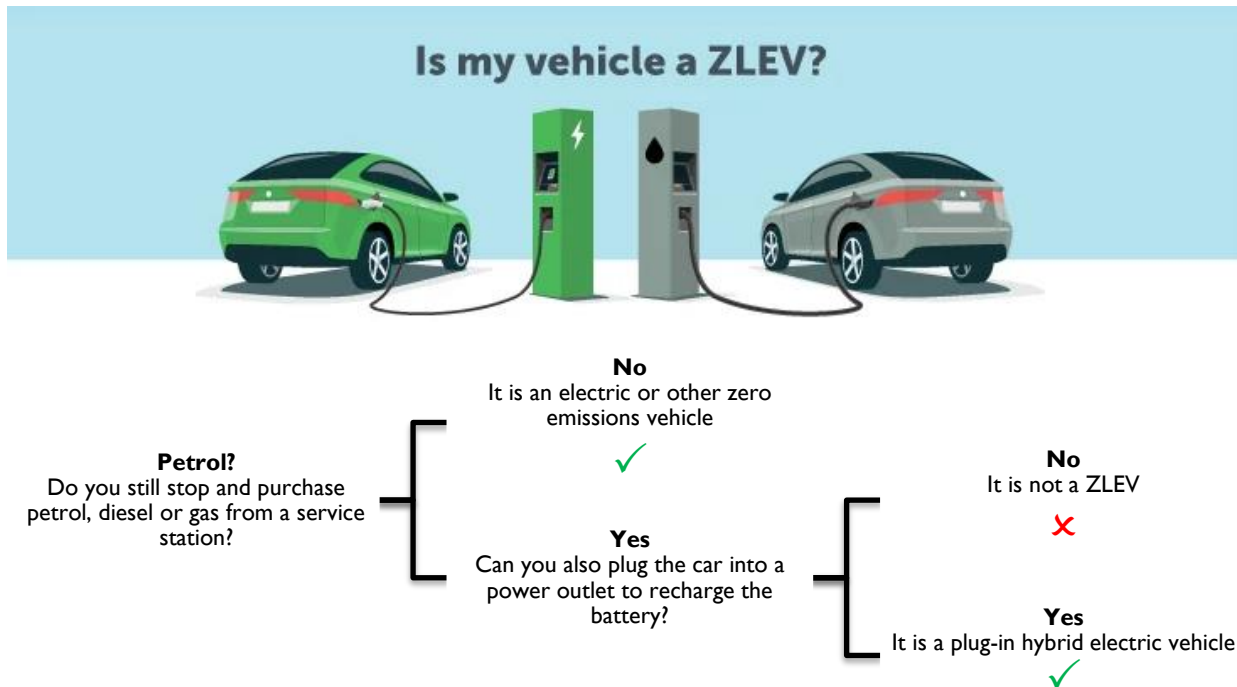
Interested parties are invited to comment on the proposed key design features of the ZLEV RUC to help inform the development of the Government's legislation to implement a ZLEV RUC.

Submissions should be provided to taxpolicy.advice@treasury.tas.gov.au by 5pm on 14 March 2023 and may be published on the Department of Treasury and Finance website unless individuals or organisations request otherwise.

The Government is also monitoring the outcomes of the current High Court case, *Vanderstock & Anor v the State of Victoria*, which may impact the introduction of a ZLEV RUC.

What is a ZLEV?

Motor vehicles that emit zero or low emissions by means of electric, hydrogen or plug-in hybrid propulsion systems are classified as ZLEVs. Conventional hybrid vehicles, those that are not recharged by electrical plug-in, and not classified as ZLEVs.



Source: Victorian Government, 2022 ZLEV road-user charge information

Why is a road user charge being introduced?

Australian drivers pay fuel excise, levied by the Australian Government, when they purchase petrol, LPG and diesel. Since its introduction, the fuel excise has served as a proxy charge for road use and helps to fund Australian roads.

From 29 September 2022, the fuel excise rate is 46 cents per litre.

Currently, ZLEV owners do not contribute towards roads funding in the same way as other motorists as they pay no or little fuel excise. This creates inequity, with owners of vehicles with internal combustion engines paying more per kilometre to use the same stretch of road.

A ZLEV RUC will ensure that all road users continue to contribute to the social costs of road use in Tasmania, including wear and tear and congestion. However, given ZLEVs provide significant environmental and health benefits, the approach proposed in this paper will mean that ZLEV owners will pay a lower contribution compared to owners of vehicles with internal combustion engines. Over time, as ZLEVs become the principal form of vehicle, the majority of owners will be paying a consistent charge.

When will the road user charge be introduced?

The Government has previously indicated that a ZLEV RUC will apply from 1 July 2027, or when ZLEVs make up 30 per cent of all new vehicle sales, whichever comes first.¹

As indicated in the 2022-23 State Budget, legislation to give effect to a ZLEV RUC in Tasmania is expected to be introduced in 2023. This timing will provide certainty to people considering the purchase of a ZLEV and ensure they have full visibility of all future costs.

The announced timeframe for the ZLEV RUC to apply in Tasmania is consistent with the New South Wales legislation and the announced arrangements in Western Australia. The Victorian ZLEV RUC commenced on 1 July 2021.

Given that the commencement date will vary depending on ZLEV uptake in different jurisdictions, the actual commencement date could vary across jurisdictions.

Which vehicles will be subject to the road user charge?

It is proposed that all light motor vehicles that are ZLEVs, including motorcycles, would be subject to the RUC. The proposal to include motor cycles is in contrast to other jurisdictions but reflects the principle that all road users should contribute to the social costs of road use in Tasmania.

Under this approach, the RUC would not apply to conventional hybrid vehicles, agricultural machines, trailers and heavy vehicles.

How will the road user charge work?

Similar to other jurisdictions, it is proposed that a distance-based RUC be introduced for ZLEVs registered in Tasmania. The registered owner of a ZLEV would be liable for the RUC.

This means that the ZLEV RUC would be calculated with reference to a registration period based on the vehicle type and how far it is driven. Travel on private land would not be subject to the charge.

A distance-based charge, rather than a flat rate, will ensure that motorists contribute to road maintenance and investment in accordance with their road usage which is considered to be more equitable and reflects current arrangements with the fuel excise.

It is proposed that Tasmania adopt the same introductory rates as other jurisdictions, as follows:

Vehicle type	Proposed rates
Electric, other zero emission vehicles and hydrogen vehicles	2.5 cent/km
Plug-in hybrid electric vehicles and motorcycles	2.0 cent/km
Conventional hybrid	N/A

¹ For context, ZLEVs currently make up less than one per cent of all light passenger vehicle registrations in Tasmania.

It is also proposed that these rates are indexed annually in accordance with changes in CPI from the commencement of the legislation. This is consistent with other jurisdictions and is also consistent with arrangements for indexing other Tasmanian Government fees and charges.

The proposed rates will ensure consistency with other jurisdictions in terms of the rates at commencement. However, it is noted that given different commencement dates in other jurisdictions, the actual rates may not necessarily align in each year.

How much will the average ZLEV motorist pay each year?

The average kilometres travelled per year by light passenger vehicles in Tasmania is 10 200 km². Applying the proposed ZLEV RUC rates results in a charge of \$255 per annum for electric vehicles and \$204 per annum for plug-in hybrid vehicles.

This is below the average amount vehicle owners purchasing petrol, LPG and diesel pay in fuel excise. For example, Tasmanian owners of internal combustion passenger vehicles pay approximately \$410 in fuel excise, on average.³ As noted above, the reduced amount expected to be levied through the ZLEV RUC (based on the model proposed in this paper) recognises the environmental and health benefits associated with ZLEVs.

Registered owners of ZLEVs will continue to pay the same registration charges that apply to four-cylinder vehicles. Electric motorcycles have specific registration charges already.

As outlined above, Tasmania has introduced a range of short-term incentives to support ZLEV uptake. Further details of these and how to apply can be found at www.transport.tas.gov.au and www.sro.tas.gov.au.

How will the charge be calculated and paid?

The current arrangements for paying fuel excise are relatively straightforward for the consumer with the amount paid at the point of purchase, based on the number of litres of fuel purchased.

New arrangements will need to be implemented to collect the ZLEV RUC. However, given that it is unlikely that the ZLEV RUC will be operational for a number of years, it is likely that arrangements will be refined and streamlined over the intervening period, particularly given expected technological advancements.

The below arrangements are largely based on the current approach in Victoria, modified to reflect local systems and processes.

It is proposed that the ZLEV RUC would be collected by the Registrar of Motor Vehicles as part of the registration renewal process. This means that ZLEV owners will be able to pay the RUC annually in arrears or choose a three or six-month option to manage any bill shock,

² Australian Bureau of Statistics, *Survey of Motor Vehicle Use, Australia - Table 17*, 12 months ended 30 June 2020, released 21 December 2020.

³ This calculation is based on the average number of kilometres travelled by light passenger vehicles in Tasmania and average fuel consumption for passenger vehicles. It has been calculated with reference to the full excise rates published by the Australian Taxation Office, *Excise duty rates for fuel and petroleum products*, as at 28 February 2022, and does not include the 50 per cent reduction in the rate from 30 March to 28 September 2022. See Australian Bureau of Statistics, *Survey of Motor Vehicle Use, Australia - Table 6*, 12 months ended 30 June 2020, released 21 December 2020.

consistent with the existing arrangements for the payment of registration. This would involve ZLEV owners providing odometer readings.

To ensure simplicity and minimise the administrative impact on ZLEV owners, it is envisaged that ZLEV owners would be required to provide a photograph of the odometer as a record of the odometer reading (and hence the number of kilometres travelled during the period).

To also minimise administrative complexity, the charge will apply to the distance travelled by the ZLEV both in Tasmania, as well as other jurisdictions. This is consistent with the arrangements in Victoria and those legislated for New South Wales. In the case of usage on private roads, drivers would need to provide evidence, such as through the use of a logbook.

The Registrar of Motor Vehicles would provide an invoice for the registered owner based on the distance calculated from the odometer readings. Consistent with current arrangements for the payment of vehicle registration, it is likely that the RUC invoice could be paid via the internet, telephone or in person through Service Tasmania and Australia Post outlets, with consistent terms for payment.

Provisions would be included in the legislation to enable the Registrar of Motor Vehicles to estimate the distance travelled, where the registered owner does not provide the odometer reading in the required timeframe. In this regard Victoria applies the average annual distance travelled by light passenger vehicles of 13 500 km⁴ on a pro-rata basis to reflect the registration period.

Appropriate non-compliance provisions to incentivise the payment of the ZLEV RUC will also be implemented.

Arrangements will also need to be implemented where a vehicle is sold or transferred or a vehicle is stolen or written off.

⁴ The average yearly distance travelled by light passenger vehicles in Victoria is 13 500 km.

Attachment A: ZLEV Road User Charges in Other Jurisdictions

State	Introduction/Legislated/Announced	Rates	Indexation
VIC	Victoria introduced a ZLEV road user charge from 1 July 2021.	<p><i>Base rate (2021-22)</i></p> <p>Introduced at 2 cents/km for plug-in hybrid electric vehicles (PHEVs) and 2.5 cents/km for battery electric vehicles (BEVs) and hydrogen fuel-cell electric vehicles (FCEVs).</p> <p><i>Current rate (2022-23)</i></p> <p>2.1 cents/km for PHEVs and 2.6 cents/km for BEVs and FCEVs.</p>	Each year the road user rates are indexed in line with CPI.
NSW	The New South Wales Government legislated for a distance-based ZLEV road user charge in November 2021 to come into effect on 1 July 2027, or when ZLEVs make up 30 per cent of all new vehicle sales, whichever comes first.	<p><i>Base rate (2021-22)</i></p> <p>2 cents/km for PHEVs and 2.5 cents/km for BEVs and FCEVs.</p>	Each year the road user rates are indexed in line with CPI.
SA	<p>The South Australian Government legislated for a distance-based ZLEV road user charge in November 2021.</p> <p>The newly elected South Australian Government introduced a Bill on 18 May 2022 to repeal the road user charge in South Australia.</p>	<p><i>Base rate (2021-22)</i></p> <p>2 cents/km for PHEVs and 2.5 cents/km for BEVs and FCEVs.</p>	Each year the road user rates are indexed in line with CPI.
WA	In May 2022, Western Australia announced the introduction of a ZLEV road user charge from 1 July 2027, subject to the passage of legislation.	<p><i>Base rate (2021-22)</i></p> <p>2 cents/km for PHEVs and 2.5 cents/km for BEVs and FCEVs.</p>	Each year the road user rates are indexed in line with CPI.