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To whom it may concern,

RE: Productivity Commission Interim report: Investing in cheaper, cleaner energy and the net zero transformation

The Victorian Automotive Chamber of Commerce (VACC) welcomes the opportunity to provide a response to the Productivity Commission (PC)'s interim report on 'Investing in cheaper, cleaner energy and the net zero transformation'.

VACC is Victoria's peak automotive industry association, representing the interests of more than 5,000 members across 15 retail automotive sectors that employ over 50,000 Victorians. VACC also employs over 550 auto apprentices through its Group Training Scheme, as well as being a key contributor to national automotive industry industrial relations discourse, and maintains a well-resourced automotive industry policy presence.

VACC provides the following feedback for consideration by the PC.

Draft recommendation 1.3 Introduce an emissions-reduction incentive for heavy vehicles and phase out policy overlaps for light vehicles

Passenger vehicles

VACC is largely in agreement with the PC's analysis of the incentives faced by passenger vehicle buyers. VACC considers that a significant proportion of consumers are price inelastic when it comes to fuel purchases – for example, motorists may only choose to refill their petrol tanks once they are running low (rather than when petrol is at the lowest point in a price cycle), and also when a petrol station is convenient (anecdotally, VACC is aware of reports that individuals will not cross the road to purchase petrol at a cheaper price).

Even where petrol buyers are particularly price-sensitive, a number of factors make it challenging for consumers to accurately take into account lifetime fuel costs when purchasing new cars. This includes the potentially significant fluctuations in petrol prices over time, the existence of a robust second-hand vehicle market that allows consumers to hold on to a vehicle for as long or short a time period as suits them and their changing circumstances.

Consequently, VACC considers that the case is strongest for policy interventions based on creating purchase incentives to encourage the uptake of more fuel-efficient or lower emissions vehicles. This is particularly important given the average vehicle age across all registered passenger vehicles was around 11.18 years in January 2024¹, and has been increasing in recent years. This suggests that any purchase incentives will have a lagging effect on the overall vehicle fleet, and must therefore significantly incentivise purchases of lower-emissions vehicles practically immediately in order to meet Australia's medium-term emissions reduction targets.

¹ Bureau of Infrastructure and Transport Research Economics, *Road Vehicles*, Australia, January 2024, <https://www.bitre.gov.au/publications/2024/road-vehicles-australia-january-2024>

VACC therefore considers the PC's recommendation to phase out EV-specific incentives to be premature. The NVES has only recently come into effect, and new car sales data indicates that petrol and diesel vehicles made up 63 per cent of all new passenger car sales in July 2025², which suggests that the NVES has yet to have any effect on the purchase of low-emissions vehicles.

Even if the NVES does lead to an increase in the supply of low emissions vehicles as intended – demand-side incentives are still necessary in the short term to incentivise the uptake of new low-emissions vehicles relative to cheaper second-hand vehicles with higher emissions. This includes incentives such as the fringe benefits tax exemption for EVs, as well expanding the national rollout of EV charging and hydrogen refuelling infrastructure.

VACC would recommend that demand-side emissions reduction incentives be maintained for at least 5 years, until the ongoing impact of the NVES of low-emissions vehicle purchases is well established by evidence and data.

Heavy vehicles

VACC agrees with the PC's interim recommendation that the Australian Government introduce a new emissions-reduction incentive to cover heavy vehicles, given the significant contribution to overall emissions that flows from the transport sector.

Existing policy settings could be amended to incentivise greater uptake of low and zero emissions heavy vehicles – in particular, the NVES, RUC and fuel excise rates. However, VACC recommends, that any proposed changes to existing policy settings should carefully account for the current fleet, the inherent complexities of the heavy vehicle industry, and realistic transition timelines.

Given that the average age of the heavy vehicle fleet is around 14 years³, and the substantial costs associated with new heavy vehicle purchases, there are likely to be significant, immediate benefits from introducing tax or financial incentives for heavy vehicle owners to switch to new low or zero-emissions options, particularly over the short-term. However, any such incentives should be accompanied by greater investment in the appropriate charging infrastructure suitable for heavy vehicles.

Yours sincerely

A handwritten signature in black ink that reads "Peter Jones". The signature is written in a cursive style with a large, stylized initial 'P'.

PETER JONES

² FCAI VFACTS data, July 2025

³ Bureau of Infrastructure and Transport Research Economics, *Road Vehicles*, Australia, January 2024, <https://www.bitre.gov.au/publications/2024/road-vehicles-australia-january-2024>