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Industry and Infrastructure Branch
Labour Market, Environment, Industry and Infrastructure Division
Treasury
Langton Cres
Parkes ACT 2600
Via email: NuisanceTariffs@treasury.gov.au

RE: Tariff reform: removal of nuisance tariffs

Friday, 29 March 2024

Thank you for the opportunity to provide this submission to respond to the consultation into Tariff reform: removal of nuisance tariffs.

This submission is made by Bicycle Industries Australia (BIA) on behalf of e-bike importers, distributors and retailers across Australia.

'Bicycle Industries Australia is an independent not-for-profit incorporated membership organisation representing bicycle industry importers, manufacturers, retailers and suppliers. Affiliated with peak industry organisations around the world, BIA is leading the development of the industry in Australia'.

We are requesting that the 5% import tariff be added as one of the tariffs to be set to 'Free' as part of the Australian Government's tariff reform package and provide supporting comment and data below.

The Tariff

The e-bike import tariff is considered a nuisance tariff as it generates a small amount of revenue and reduces the positive impact of e-bikes in Australia.

The Australian bicycle industry identify the tariff as a nuisance tariff as it:

- Negatively impacts access to higher quality e-bikes,
- Promotes poorer quality product entering Australia (due to FTA agreements) ,
- Increases administrative and compliance burdens,
- Increases the cost of living unnecessarily for Australian families while generating small amounts of revenue,
- Increases volume of poorer quality batteries on the market,
- Reduces efforts to increase active transport and reduce the carbon footprint of our transport system, and
- Reduces health benefits that flow from higher use of e-bikes, and
- Negatively impacts the Australian Governments priority to move to low emissions transport.

WHAT IS AN E-BIKE?

To support this application, we have utilised the **e-BIKE DEFINITION** as determined in the Vehicle Standard (Australian Design Rule – Definitions and Vehicle Categories) 2005 Amendment 11

- Electrically Power-Assisted Cycle (EPAC) or a Power-Assisted Pedal Cycle

These definitions are for road legal e-bikes only.

The definition of an EPAC replaced pedalec in Jan 2021 under the direction of the Assistant Minister to the Deputy Prime Minister.

IMPORT DATA

Accurate data on the value of e-bike tariffs generated through the current 5% tariff is challenging due to the regulatory framework and changes to the ROVER import portal and relevant ANSZIC code.

There is no distinct import code for power assisted pedal cycles, pedalecs or electrically power assisted cycles (ePACS).

The current ANSZIC code that includes e-bikes is 8711600006 which is defined as 'Motorcycles (incl. mopeds), bicycles and other cycles fitted with an electric motor for propulsion, with or without side-cars'.

- Import numbers during the 2022/23 financial year under the code 8711600006:
 - Value \$350,335,173
 - Volume 357,443 units
- Based on reports from produced by EY¹ for WeRide Australia, approximately half of the units imported under code 8711600006 in 2022 would be defined as bicycles and other cycles fitted with an electric motor.

TARIFF REVENUE ESTIMATION

It is estimated that the total tariff revenue collected by the Australian Government on electric motorbikes, mopeds and e-bikes imported in 2022/23 financial year was \$5.26m.

Explanatory notes: The industry estimates that the percentage of units originating from countries with a Free Trade Agreement (FTA), predominantly China, is approximately 70%. Therefore approx. 30% attract the 5% tariff.

- Total tariff income pa. \$350,335,173 (import code 8711600006)
- $\$350,335,173 * 30\%$
- = \$103,100,552 (value of imported e-bikes attracting tariff)
- Import tariff = 5%
- $\$103,100,552 * 5\%$
- = **\$5,255,027**

¹ <https://www.weride.org.au/australiacyclingeconomy/>

In the 6 years since the revocation of the exemption in 2018, the value of units imported under code 8711600006 is \$1,275,440,82. Under the previous assumptions, this would indicate that the federal government has collected approximately \$19 million in tariffs in this period or approx. \$3million per year on electric motorbikes, mopeds and e-bikes.

PREVIOUS TARIFF EXEMPTION REVOKED IN 2018

The federal government had previously applied an exemption to the tariff which was revoked under a brand-initiated application, Gazetted in January 2018 under TC 1664814.

The revocation was supported under the provision of supporting Australian employment.

In a sector that supports almost 60,000 FTE jobs in Australia², there is an extremely small level of employment in Australian manufacturing e-bikes, as there is only one manufacturer that is Australian made, whose primary product is promoted as non-compliant or non-road legal e-bikes.

E-BIKE BATTERY ISSUES

Reports have identified that cheaper e-bikes and batteries are more prone to malfunction and fire causing costs that likely exceed revenue generated by the tariff.

The vast majority of cheaper e-bikes originate in China or other Asian countries with limited control over quality. Due to the FTA with a number of these countries, these bikes are also excluded from the tariff.

Abolition of the e-bike tariff would result in parity of treatment for higher quality e-bikes, slightly decreasing the price difference between lower and higher quality e-bikes. The higher quality e-bikes tend to have more secure power sources than those that originate from countries without the tariff, with slightly decreased risk of thermal runaway and fires.

This improvement in purchasing habits would support improvements in the quality of e-bike batteries.

² <https://www.weride.org.au/australiacyclingeconomy/>

IMPACT OF e-BIKES

The report 'E_bike.subsidy.for.Australians'³ developed by The Institute for Sensible Transport for We Ride Australia in 2021, identified the return on investment for e-bike subsidies was approximately \$2 - \$3 for each dollar invested.

The assumptions of this report and the live model were subsequently updated following the release of the Australian Transport Assessment and Planning guidelines in 2022, increasing this figure to \$7 for each dollar invested in e-bike subsidies.

Utilising parameter values relevant to its local situation, the City of Holdfast Bay in South Australia identified a return on investment⁴ of \$10 for every \$1 invested when they released their e-bike incentive program early in 2024.

The Tasmanian Government and local SA Council subsidies for the purchase of e-bikes are now arguably less effective while the Federal Government's 5% import tariff remains in place.

Promoting e-bike purchase and use has a positive impact on the Australian economy and efforts to achieve NetZero transport emissions and this value is likely greater than the tariff revenue generated at the point of entry to Australia.

In 2022 bicycle commuters avoided 514,096tCO₂-e and 2.2 million kg of pollutants being emitted⁵. This is the equivalent of taking over 200,000 cars off the road.

Bicycle riders also generated \$954 million in total health and social benefits to Australia.

COST OF LIVING

Measures that lower the cost of e-bikes and increase their use can reduce cost of living for Australians.

The Australian Automobile Association's latest edition of the Transport Affordability Index⁶ shows the typical Australian household is now spending 14.6 per cent of their budget on transport costs. This is the highest percentage since the Index commenced five years ago.

E-bikes are a highly cost-effective mode that both lower cost of living pressures and provide accessible options for those excluded from driving cars.

With around half of all transport trips for all purposes 5 kilometres or less and a third just 3 kilometres or less, these are distances that are very suitable for cycling, especially when the latest e-bikes are taken into account.

³ https://www.weride.org.au/wp-content/uploads/2022/04/WeRide_e-Bike_Subsidy_Report_FINAL-Lores.pdf

⁴ Comments made in a recorded interview available here, <https://www.weride.org.au/community/south-australian-councils-leading-on-e-bike-incentives/>

⁵ Ibid.

⁶ <https://www.aaa.asn.au/wp-content/uploads/2021/05/Transport-Affordability-Index-Q1-2021-v.2.pdf>, accessed on 20 March 2024.

CONCLUSION

In summary, the 5% import tariff provide a significant administrative burden to Australian businesses for minimal benefit.

There can be little doubt that the estimated \$5.2 million tariff revenue generated by electric motorbikes, mopeds and E-bikes in 2022/23 can be considered a "nuisance tariff," given the costs and effort associated with the tariff implementation for this relatively modest amount, compared to the numerous benefits to the community by having this tariff removed.

The proposed removal will support actions being taken by other levels of government to support e-bikes as a viable and sustainable alternative to car use and consolidates the Australian government's position in tariff reform as well as being as a leader to transition to low emissions transport and healthy communities.

Recommendation

We propose that the 5% e-bike tariff be abolished and added as one of the tariffs to be set to 'Free' as part of the Australian Government's tariff reform package.

Kind regards,

Peter Bourke

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