C/o We Ride Australia
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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: Invitation to comment – Tariff reform: removal of nuisance tariffs

Thursday, 28 March 2024

Industry and Infrastructure Branch,

The signatories are pleased to provide this submission to the consultation into Tariff reform: removal of nuisance tariffs.

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.

National bicycle organisations believe this tariff is a nuisance tariff as it:

- Increases the cost of living unnecessarily for Australian families while generating small amounts of revenue,
- Increases administrative and compliance burdens,
- Negatively impacts access to higher quality e-bikes,
- 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.

The import data code 8711600006 is defined as '*Motorcycles (incl. mopeds), bicycles and other cycles fitted with an electric motor for propulsion, with or without side-cars*'.

In this context, we refer to '*bicycles and other cycles fitted with an electric motor for propulsion*' as an e-bike, which is determined in the Vehicle Standard (Australian Design Rule – Definitions and Vehicle Categories) 2005 Amendment 11, as an '*Electrically Power-Assisted Cycle (EPAC) or a Power-Assisted Pedal Cycle*.'

Recommendation

We propose that the e-bike 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 Australian bicycle sector

The Australian bicycle organisations co-signing this submission are pleased to present comments to the consultation into nuisance tariffs.

This submission is tendered on behalf of the following Australian bicycle organisations: AusCycling, Bicycle Network, Bicycle NSW, Bicycle Queensland, Bike SA, Pedal Power ACT, We Ride Australia and WestCycle.

These organisations have a combined national membership of 141,500 and represent the 9.52 million Australians who rode a bike in 2023[1].

Note on data and information

Much of the import data and explanations on the tariff have been supplied by Bicycle Industries Australia.

We Ride Australia conducted modelling on value of e-bike incentives for its report *E-bike incentives for Australians*[2] and the economic, health and environmental benefits of cycling are derived from We Ride Australia's 2023 *Australian Cycling and e-Scooter Economy Report*[3]. Sources are noted where appropriate.

Comments to consultation on *Tariff reform: removal of nuisance tariffs*

e-BIKE DEFINITIONS

1. There is no distinct import code for power assisted pedal cycles, pedalecs or electrically power assisted cycles (ePACS).
2. The Department of Infrastructure, Transport, Regional Development, Communication and the Arts definition of an e-bike was modified in Jan 2021 by Minister Kevin Hogan MP, acting as the Assistant Minister to the Deputy Prime Minister.
3. In the context of the import data code 8711600006 (defined as '*Motorcycles (incl. mopeds), bicycles and other cycles fitted with an electric motor for propulsion, with or without side-cars'*), we refer to 'bicycles and other cycles fitted with an electric motor for propulsion' as **an e-bike**, which is determined in the Vehicle Standard (Australian Design Rule – Definitions and Vehicle Categories) 2005 Amendment 11, as an '*Electrically Power-Assisted Cycle (EPAC) or a Power-Assisted Pedal Cycle*.'

IMPORT DATA

- Data is collected by the ABS through the collection and collation of import figures under the import data code – 8711600006.

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[1] https://www.cwanz.com.au/wp-content/uploads/2023/08/NWCPS_2023_report_v1.3.pdf accessed on 28 March 2024.

[2] https://www.weride.org.au/wp-content/uploads/2022/04/WeRide_e-Bike_Subsidy_Report_FINAL-lores.pdf

[3] https://www.weride.org.au/wp-content/uploads/2023/11/The_Australian_Cycling_and_e-scooter_Economy_in_2022_WeRide_and_EY_2023_Report_Final_web.pdf

- Import numbers during the 2022/23 financial year under the code 8711600006:
  - Value $350,335,173
  - Volume 357,443 units

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 imports attracting tariff)
- Import tariff = 5%
- $103,100,552 * 5%
- **= $5,255,027**

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, taking effect in January 2018 under TC 1664814.

In the 6 years since the revocation of the exemption, the value of units imported under code 8711600006 was $1,275,440,820. Under the previous assumptions, this would indicate that the federal government has collected approximately $19 million in tariffs in this period or approx. $3 million per year on electric motorbikes, mopeds and e-bikes.

Explanatory notes:

- $1,275,440,820 *30% (proportion of imports from non-FTA countries)
- = $382,632,246 *5% (tariff)
- = $19,131,612 / 6 years
- = $ 3,188,602 tariff revenue per annum.

As noted in the previous section, it is estimated the income generated from the 5% import tariff throughout 2022/23 financial year was approximately $5.26 million under code 8711600006.

According to ABS data, there were 445,000 units imported in the 2022 calendar year under this code.

It was reported in the *Australian Cycling and E-Scooter Economy Report*[4], undertaken by Ernst and Young using data from 2022, that there were approximately 200,000 e-bikes sold during the same period. This indicates that e-bikes appear to constitute around half of all imports under code 8711600006.

An additional explanation is required on the import numbers. The significant reduction in units imported in just the 6 months between 2022 and the 2022-23 financial year is supported by industry sources who explain this in terms of the post-COVID contraction in sales of bicycles nationally.

Prior to 1 July 2021, all incoming shipments that contained one or more e-bikes required an import permit.

After the introduction of of Vehicle Standard (Australian Design Rule – Definitions and Vehicle Categories) 2005 Amendment 11 and through the ROVER import portal[5] this requirement was removed, and it became a suggestion that importers of e-bikes may wish to apply for an advisory notice under the category 'that thing is not a road vehicle'.

Therefore, the accuracy of recent e-bike import data cannot be ascertained.

IMPACT OF e-BIKES

The report *'E-bike subsidy for Australians*[6]*'* 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 investment[7] of $10 for every $1 invested when they released their e-bike incentive program early in 2024.

Increasingly, other levels of government acknowledge the importance of e-bikes on the community for reducing traffic congestion and increasing the viability of sustainable transport options, and in some cases, are actively subsidising their purchase. This is a remarkable action and is occurring because it is recognised that price point is a very real issue for those looking to purchase an e-bike.

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[4] https://www.weride.org.au/wp-content/uploads/2023/11/The_Australian_Cycling_and_e-scooter_Economy_in_2022_WeRide_and_EY_2023_Report_Final_web.pdf
[5] Vehicle portals | Department of Infrastructure, Transport, Regional Development, Communications and the Arts
[6] https://www.weride.org.au/wp-content/uploads/2022/04/WeRide_e-Bike_Subsidy_Report_FINAL-lores.pdf
[7] Comments made in a recorded interview available here, https://www.weride.org.au/community/south-australian-councils-leading-on-e-bike-incentives/

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.

BENEFITS OF e-BIKES

The advantages of e-bikes for commuting in congested cities are obvious - greater range, less physical exertion for the rider and therefore a more viable alternative for short-medium commutes. It is also appealing to the aged and infirm, as well as those in hilly areas, where the assistance of an e-bike makes it a much more welcome alternative.

E-bikes have seen a major increase in their use by women who are now able to ride to school with their children or ride to work and sit at their desk without the need to utilise end of trip changing facilities.

They help us meet environmental, traffic congestion and health needs. The broader demographic attracted to e-bikes normalises the use of bikes as a legitimate form of transport, impacting safety and participation.

The bicycle industry generates significant Australian employment, with over 60,000 FTE positions in 2022[8].

In 2022 bicycle commuters avoided 514,096tCO2-e and 2.2 million kg of pollutants being emitted[9]. 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 Index[10] 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.

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[8] https://www.weride.org.au/wp-content/uploads/2023/11/The_Australian_Cycling_and_e-scooter_Economy_in_2022_WeRide_and_EY_2023_Report_Final_web.pdf

[9] Ibid.

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

The proportion of Australians 15 years and over with a driving licence is 77%[11] leaving a substantial proportion of the population looking for other forms of mobility. Abolishing the tariff will contribute to lowering barriers to owning and using e-bikes and assist the more than one in five Australians do not drive, whether due to cost, disability or other reason.

E-bikes are a highly cost-effective mode to 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.

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 China, 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. Higher quality e-bikes have been shown to have better quality batteries that are less prone to malfunction and other concerns including risk of thermal runaway and fires, improving the outcomes for all users.

CONCLUSION

In conclusion, 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 in sustainability and healthy communities.

[11] https://www.abs.gov.au/census/find-census-data/quickstats/2021/701041037, accessed on 20 March 2024.

RECOMMENDATION

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, Stephen Hodge
(on behalf of the signatory organisations listed below)

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This submission is tendered on behalf of the following Australian bicycle organisations:

AusCycling | **Bicycle Network** | **Bicycle NSW** | **Bicycle QLD**

Bike SA | **Pedal Power (ACT)** | **WeRide** | **WestCycle**