

Fuel Economy
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Submission on: *VEHICLE FUEL ECONOMY LABELLING: A Government Discussion Document*

The Auckland Regional Council (ARC) acknowledges the intention of the Government in proposing mandatory fuel consumption labels is to reduce greenhouse gas emissions, reduce dependence on fossil fuels, and improve air quality, urban amenity and human health. The ARC supports these intentions and thanks the Energy Efficiency and Conservation Authority for the opportunity to provide comment on this proposal.

Key points from ARC's submission

The recently released draft New Zealand Energy Strategy (NZES) stresses the importance of reducing greenhouse gas emissions, and adopting renewable fuels such as biofuels. Of all actions proposed in the draft NZES to reduce transport emissions, the introduction of biofuels is forecast to have the greatest impact. Therefore, the ARC highlights that the labelling scheme offers a prime opportunity to take a holistic approach to the effective management of vehicle emissions. The ARC strongly recommends that vehicle labels include:

- an indication of the biofuel capacity of the vehicle;
- a star rating (comparing the vehicle's fuel economy to all other vehicles in the fleet);
- a quantification of fuel economy for both urban driving and highway driving measured in litres per 100km (rather than in kilometres per litre as proposed);
- a sliding scale showing the CO₂ emission rating of the vehicle compared to others in the same vehicle class;
- an air pollution rating (if ease of understanding is not compromised).

The ARC strongly advocates that Government should require the labels to be displayed prominently on the windscreen (or in an obvious prominent position in the car), and supports the labels being permanently attached.

Response to specific questions

Do you support mandatory labelling, and what are your reasons?

The ARC supports the introduction of a mandatory fuel economy labelling scheme, because this will enable consumers to take a fuel efficiency rating into account when making vehicle purchase decisions. This is likely to induce a certain proportion of consumers to purchase more fuel efficient vehicles, thereby leading to a reduction in vehicle emissions and fossil fuel dependence, and improvements in air quality and urban amenity.

A key goal of the ARC is to improve air quality in the Auckland region. Air quality in the urban area currently breaches acceptable levels required under the Air Quality National Environmental Standards, and the ARC's position is that a range of measures will be required to improve air quality. The combustion of transport fuels is a significant contributor to air pollution in the region. As the country's largest urban area, there are 744,000 motor vehicles registered in the Auckland region, with an annual trend of 5% increase in motor vehicle use. Particulate emissions from motor vehicle fuels constitute 51% of the region's PM₁₀ emissions¹.

Further, the ARC is developing a long term sustainability framework for the Auckland region with central and local government partners. This framework has identified that forces such as climate change and rising energy costs are very likely to impact upon the future of the region. There is therefore an urgent and pressing need to reduce greenhouse gas emissions and reduce our dependence on fossil fuels.

As this proposal will encourage consumers to buy more fuel efficient vehicles, and thereby reduce motor vehicle emissions and fuel use (or at least slow the increase in emissions and fuel use), the ARC supports the proposal.

What are your views on the current method for fuel economy data collection? Are there any ways in which this could be improved?

There are flaws in the existing method of data collection which makes it difficult to compare tests undertaken under two different test methods, and fuel economy information is unavailable for vehicles manufactured before 2000.

¹ PM₁₀ are particulates less than 10 microns in size, which can cause adverse health impacts by lodging in lungs.

What should happen with vehicles that do not have fuel consumption data to either the European or Japanese test method? Should these vehicles be exempt? What should happen to the vehicles that do not have fuel consumption information (such as pre-2000 vehicles)? Should there be an exemption to allow the sale of vehicles that do not have fuel consumption information? Should pre-2000 vehicles be required to provide fuel consumption information at the point of sale?

The ARC would like the government to require labels for used imports that are manufactured before 2000, because these make up a large percentage of the vehicle fleet, and because many of these vehicles have poor fuel economy. Vehicles that do not have data to either the Japanese or European standard could be tested to an agreed method that is consistent with the Japanese or European method, or can be reconciled with them. However, due to limited test facilities, requiring these vehicles to be tested in New Zealand within a short time frame would probably jeopardise the scheme.

In addition, insisting upon testing for all vehicles could add additional cost and therefore increase the selling price of vehicles. In its emissions work, the Ministry of Transport has identified a price sensitivity issue, which would result in people retaining their older vehicles for longer in order to offset the additional capital cost. This could lead to a perverse effect of greater emissions and less fuel efficiency.

However, because in the future there will be a diminishing proportion of pre-2000 vehicles in the fleet, the ARC would still support a scheme that waives the labelling requirement for these vehicles, if insisting on them is likely to jeopardise the introduction of the scheme.

Should fuel consumption information be required for low volume cars (such as classic cars, hotrods, etc.)?

Most low volume vehicles such as classic cars travel very low distances in New Zealand. Therefore the ARC would support waiving this requirement if the difficulty and expense of testing these vehicles is likely to jeopardise the introduction of the scheme. If the labelling requirement is unreasonable or difficult to comply with, the whole regime could rapidly fall into disrepute.

Should the label reconcile different test standards?

As consumers who buy Japanese imports are generally a different target market to those who buy European vehicles, it would be possible to implement a split scheme. Under such a scheme, those vehicles tested under the Japanese method are labelled according to their result (and compared to others tested in the same way), and those tested under the European method are labelled according to their result (and compared to others tested in the same way).

Should a similar format be used for new and used vehicles?

The same format should be used for new and used vehicles as all new vehicles become used vehicles as soon as they are purchased.

Should fuel consumption labels contain a link to the fuelsaver website?

A link to the fuelsaver website could be included, provided there is adequate space on the label and some degree of certainty that the fuelsaver website will be available for the life of the vehicle.

Should fuel consumption labels have a disclaimer about accuracy?

A disclaimer is essential if the actual test figures are to be included on the label. It should note:

- The fuel consumption figures shown are under standard test conditions only;
- Actual consumption will vary according to driving conditions;
- Whether the test is to Japanese or European standards;
- That Japanese and European tests are different and so results cannot be compared.

It is possible that if this information is included then the label will become cluttered and difficult to understand. The ARC recommends that focus groups are held to discuss the label, as these are likely to reveal the best combination of data and clarity, so the label has best effect.

Should a fuel economy label indicate that a used vehicle may consume fuel at a different rate to when it was first manufactured?

Labels should not indicate that used and new vehicles have different fuel consumption rates. If this is included, the label would become cluttered and difficult to read and understand.

Should a labelling scheme apply to all forms of vehicles sales?

Ideally, the scheme should be applied to all vehicle sales. However, staging in the scheme would be more pragmatic, with motor vehicle traders being required to implement the scheme initially, and later the scheme could be extended to require private sales to also include the label. The scheme would be easier to implement and enforce if the labels are required only for vehicles sold through motor vehicle traders. In practice it would be very difficult to enforce if private sales are also required to include a label. However if the labels are permanently applied to vehicles, then eventually all vehicles in New Zealand should have labels.

If second hand cars are to be covered, there must be an easy way of attaining a complying label, at reasonable cost. Presumably, this would be via LTNZ agents and that verified data would be held by LTNZ.

Should it also apply to vehicle promotion?

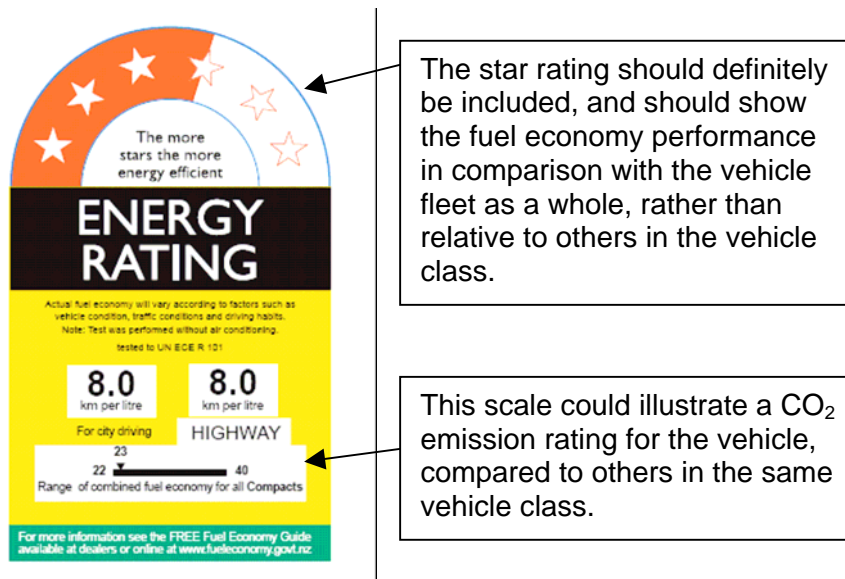
The vehicle fuel economy rating system would be most effective if implemented in combination with wider promotion of the benefits of fuel efficient vehicles. This would be effective if car magazines (e.g. Automobile Association magazine) publicised the use of the labels.

Would you prefer the information to be displayed numerically, or to be graded by stars, or both?

Ideally, labels should display the information in both a star format and numerically, as this will provide consumers with a quick reference as well as absolute information. This will enable them to make a more informed decision than they would be able to if either piece of information was provided in isolation.

To avoid “overcrowding” of information on the label, focus groups should be used to determine the most effective layout.

What information would you like to see included on a label? Would you also like to see carbon dioxide emission and exhaust emission information? Should labels compare vehicles to other vehicles in the same class, or across the vehicle fleet as a whole, or both?



A star rating should definitely be included, because consumers are familiar with this rating system and it is easy and quick to understand. The ARC would have **VERY STRONG** concerns about the effectiveness of the vehicle fuel economy labelling scheme if the star rating was comparing vehicles only to other vehicles in the same class. This would assume that consumers are buying the right size of vehicle for their needs, and could lead to misinformation if consumers are not aware that their vehicle is rated only against others in the same class. Therefore this star rating needs to compare the given vehicle against all other vehicles, from the smallest hybrid to the largest, least fuel efficient vehicle.

The ARC strongly suggests that the fuel efficiency be displayed numerically as litres of fuel used per 100km travelled (not kilometres per litre), as this is the measure that consumers are most familiar with. This should be included for both urban and highway driving as shown in the example label.

The ARC would also like to see the inclusion of a CO₂ rating to ensure that consumers are aware that their vehicle use has global environmental consequences. One way to avoid the label being cluttered and difficult to understand would be to use a CO₂ rating rather than a fuel economy rating when comparing the performance of the vehicle with others in its class. Further, this scale should be labelled with 'best' and 'worst' at either end of the scale to enable easy understanding.

The sum of these three suggestions would mean that the label would include:

- a comparison across the whole vehicle fleet (star rating);
- an absolute number (litres per 100km) for two driving types;
- a comparison with others in the same class (scale) using CO₂ emissions to raise awareness with consumers that their vehicle has consequences for global warming.

The recently released draft NZES stresses the importance of reducing greenhouse gas emissions, and adopting renewable fuels such as biofuels. Energy and Climate Change Minister David Parker has recently commented about the importance of these actions, and the Ministry of Transport has recently consulted on biofuels sales obligations. Therefore, the ARC highlights that the labelling scheme offers a prime opportunity to take a holistic approach to the effective management of vehicle emissions. Under such an approach, labels could also include the following:

- biofuel compatibility
- environmental performance (air pollution rating)

This could ensure that the labelling scheme would minimise greenhouse gas and harmful emissions. In the future, it is likely to become necessary to label cars according to their biofuel compatibility. To save re-labelling all vehicles with this information at a later date, the ARC strongly advocates that this measure also be included in the fuel economy label, provided it can be done without compromising the clarity of the label.

In designing a label, should we adopt one of the international formats outlined in Appendix 2?

The international formats should not be used, as New Zealand consumers are already familiar with the proposed format. The proposed format is well designed and easy to understand.

Should fuel economy information be included on the Supplier Information Notice?

The ARC would support the inclusion of fuel economy information in the Supplier Information Notice provided it is done in addition to a prominent fuel economy label and with the appropriate disclaimers. Supplier Information Notices will not be sufficient on their own, as they are not a requirement of private sales. In contrast, once they have worked through the system over time, permanent labels will be on nearly every vehicle.

Should we adopt the Australian format for consistency?

The Australian format should not be adopted as the Australian label is not as easy to understand as the proposed label and consumers are not already familiar with it.

How should labels be produced? What type and size of label? How should labels be printed and distributed? When, and by whom should a fuel consumption label be affixed? Where should the label be placed on the vehicle? In the windscreen, or somewhere else? Should the label be permanent or removable?

The labels should be permanent labels that are attached to the windscreen or some other prominent position on the car, depending on their size. This would increase awareness of fuel efficiency. The labels should be applied between import and point of sale.

How should the scheme be administered?

The scheme should be administered in a way that precludes tampering and corruption.

Should labelling be mandated through Energy Efficiency and Conservation Regulations, a Land Transport Rule, via the Supplier Information notice, or through specialist legislation?

The easiest option that requires a prominent label to be attached to vehicles should be pursued.

Are there any other aspects of a label which have not been addressed in this document that you would like to comment on?

The fuel economy labelling scheme will be most effective if launched in conjunction with other measures that Government has the ability to introduce, such as public awareness campaigns, used import standards, emission controls, and more robust vehicle emission screening. Measures such as these will be central to the ability of the Auckland region to meet Air Quality National Environmental Standards.

There needs to be some allowance made for future-proofing of the labels. For instance, if the star rating compares a given vehicle against the vehicle fleet as a whole, this could become incorrect if smaller, more fuel efficient vehicles than are currently available enter the market, or if larger, less fuel efficient vehicles enter the market. In this case, allowance needs to be made for the addition of an extra star, or some other measure.

The use of focus groups to determine the combination of information that will lead to the greatest understanding by consumers is strongly recommended. Focus groups should address not only the content of the label, but also the label size, as size will need to be kept minimal if the label is to be permanently attached to the windscreen.

Should you seek any clarification on this submission, please contact Cathy Bean, 09 366 2000 ext 8354 or at cathy.bean@arc.govt.nz.

Yours sincerely

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