

SUBMISSION ON CLEAN CAR DISCOUNT PROPOSAL

From Dave Kelly, [REDACTED]
20 August, 2019

I generally support the Clean Car proposals and have filled in the survey form answering your specific questions. I think the proposals for a feebate, and for fleet fuel efficiency standards, are very good, and well overdue.

But I want to raise issues around the transitional impact of introducing these changes in 2021, and the impact of the feebate scheme replacing the current Road User Charges exemption for EVs. In particular, I think the current single RUC band for all vehicles under 3.5 tonnes is going to really hinder EV uptake especially in 2020 and to some extent beyond.

1. RUC under 3.5 tonne band needs to be split into two.

I have always had very fuel-efficient cars, including owning cars running on petrol (Honda Jazz, VW Polo), diesel (Ford Fiesta Econetic), and pure EVs (Mitsubishi iMiev, Renault Zoe). The Fiesta was advertised as the most fuel-efficient car available in NZ at the time (2011, on 99 g CO₂/km), but in the time I owned it was really undone financially by RUC charges. Over the time I owned it, RUC went from 3.6 c/km to 5.8 c/km, and is now 7.2 c/km. And the same rate is paid by all diesel vehicles under 3.5 tonnes, whether an efficient small car (Fiesta, diesel Suzuki Swift etc) or a very large ute or SUV.

If that 7.2 c/km rate is applied to EVs, this will really undermine their economic viability, even in the presence of the feebate. For example, our nearly brand new Zoe bought in 2018 ex UK cost us NZ\$42K (retail new in NZ is \$72K), whereas an equivalent NZ-new petrol car would be about \$22-25K (e.g. Jazz, VW Polo). Even if the Zoe got the maximum \$8K rebate, it's still between \$10K (ex UK) and \$40K (NZ new) more expensive than the petrol equivalent. This is to some extent made up by cheaper running costs, with our Zoe averaging 12.9 Kwh/100 km which with our electricity at 27 c/Kwh gives a fuel cost of 3.5 c/km (with current RUC exemption), compared to about 12 c/km for an efficient petrol car like our VW Polo (5.2 L/100, using super petrol at \$2.30/L). But on a saving of 8 c/km, it would take 125,000 km to recoup even the post-feebate extra capital cost of \$10K (ex UK), and an impossible 500,000 km to recoup the NZ-new retail difference of \$40K.

I understand that without some RUC charge, EVs are not contributing to roading costs, but the current under 3.5 tonne band seems unfair on small vehicles, and will make EVs (and small diesel cars) pay much more than small petrol cars. Consider how much various cars contribute per km to roading costs in NZ, with the National Land Transport Fund levy on petrol being 66.5 c/L. In the examples below I use ADR fuel economy estimates for various EV, diesel and petrol cars.

Table 1. Charges for road use and maintenance in cents/km from RUCs (once applied to EVs) or petrol NLTF levy.

Car	Fuel	ADR L/100 km	NLTF c/km	RUC c/km
Renault Zoe	EV	(12.9 Kwh/100)	–	7.2
Honda Jazz	petrol	5.7	3.8	–
Ford Fiesta	diesel	3.7	–	7.2
Toyota Highlander	petrol	8.0	5.3	–
Holden Colorado	diesel	9.3	–	7.2

It can be seen that small, fuel-efficient cars are charged disproportionately high RUCs per km for diesels, and soon EVs, compared to equivalent petrol cars. This will really slow the uptake of EVs,

where the lower running costs have been important in offsetting the higher purchase price. There is also a perception problem, that as an EV owner I would feel offended to be charged the same per-km fee as a large diesel ute which is so much larger and heavier than my small EV.

I think this problem is basically because there is only a single under 3.5 tonnes RUC band. If this was split into two bands (as I believe used to be the case), either by weight (eg up to 1600 kg and over 1600 kg), or by fuel efficiency, this would allow a lower rate on EVs and small diesels, with consequent benefits on emissions and fleet fuel efficiency averages.

2. Transitional problems with EV uptake.

As currently proposed, a feebate will make new EVs cheaper from 2021, at which time the current RUC exemption will end. Given the above problem with the high RUC rate for small vehicles, I don't think it has been realised how much this will hinder EV uptake from now to 2021. Even after the feebate begins in 2021, the 7.2 c/km charge almost completely removes the already modest running cost benefits of buying an EV. But will be far worse in 2019 and 2020, if this current proposal is confirmed. Anyone buying a new EV in 2020 knows they are paying \$8K more for their car, and that it will therefore devalue by \$8K the day the feebate comes into operation. But they get very few months of no RUC charges to compensate before those are introduced in 2021. I would predict that EV sales, currently going up rapidly, will stall through all of 2020 if this feebate and 7.2 c/km RUC charge package is confirmed.

I therefore think that urgent attention should be given to splitting the under 3.5 tonne RUC band into two bands, on the basis of weight or fuel efficiency, with a lower rate for smaller or more fuel efficient vehicles. This would mean that EV owners are not paying more towards roading costs than light petrol cars, and not lumped in with huge ugly diesel utes.

Thanks for this opportunity to comment.