



# GM Holden Submission

September 2019

## Ministry of Transport Discussion Paper

*Moving the light vehicle fleet to low-emissions: discussion paper on a Clean Car Standard and Clean Car Discount*

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## **Contents**

Page 3	Executive Summary
Page 4	Introduction and Holden Operations
Page 5	Holden's Commitment to a Green Future
Page 6	New Zealand Vehicle Emissions Policy
Page 9	Clean Car Standard Proposal – Key Points and Suggestions
Page 11	Clean Car Discount Proposal – Key Points and Suggestions
Page 13	Appendix A – Responses to Discussion Paper Questions

## **Glossary of abbreviations**

AV	Autonomous vehicle
BEV	Battery electric vehicle
CCS	Clean Car Standard
CCD	Clean Car Discount
EV	Electric vehicle
GVM	Gross vehicle mass
ICE	Internal combustion engine
ICCT	International Council for Clean Transport
LCV	Light commercial vehicle
LEV	Low emission vehicle
LHD	Left-hand drive
LV	Light vehicle
New	New vehicle imports to NZ
PHEV	Plug-in hybrid electric vehicle
PV	Passenger vehicle
RHD	Right-hand drive
Used	Used vehicle imports to NZ

## Executive Summary

GM Holden welcomes the opportunity to respond to the Ministry of Transport Discussion Paper - Moving the light vehicle fleet to low-emissions: discussion paper on a Clean Car Standard and Clean Car Discount.

Holden is an active member of the Motor Industry Association (MIA) and supports the submission of the MIA in response to the Discussion Paper.

Holden pays close attention to emissions policy and has an emissions reduction strategy for its New Zealand (NZ) product portfolio.

Holden has a good record of working pro-actively with governments on vehicle emissions, regulation development and offers to provide further input on the policies raised in the Discussion Paper, in addition to this submission.

Key points of Holden's submission are:

- Holden believes (like the MIA) the Clean Car Standard proposed in the Discussion Paper is not appropriate for NZ in its current form. The targets, timeframe and penalties are unrealistic and would be unachievable for the industry.
- If it is not amended, the proposed CCS would have a detrimental impact on vehicle pricing and choice for NZ motorists.
- A workable CCS with appropriate and achievable target levels for the NZ market should be developed by a Working Group.
  - It should have an introduction date which is aligned with product availability, infrastructure readiness, customer demand and new product introduction timelines.
  - It must factor in the unique market situation NZ has due to the importation of Used vehicles into the country (and the impact of a CCS on these imports).
- A CCS for NZ should incorporate globally consistent features and mechanisms, including:
  - split targets between the Passenger Vehicle and Light Commercial Vehicle segments.
  - a comprehensive credit system.
  - a level of penalties appropriate for NZ.
- Holden supports the position of the MIA for the Clean Car Discount.
- Holden gives measured support to the CCD, on the principle that it could help drive demand and consumer preference for LEVs, however there should be caution given to the cost and impact the fees could have on industry sectors such as agriculture, trades and tourism which require specific types of vehicles, particularly LCVs.

Holden recommends establishing a Working Group including Government and Industry representatives to develop a Clean Car Standard and Clean Car Discount which are appropriate and achievable for NZ.

Holden would welcome the opportunity to participate in a Working Group.

## **Introduction**

GM Holden and its subsidiary Holden New Zealand Ltd (Holden), welcomes the opportunity to respond to the Ministry of Transport Discussion Paper - Moving the light vehicle fleet to low-emissions: discussion paper on a Clean Car Standard and Clean Car Discount (Discussion Paper).

Holden is an active member of the Motor Industry Association (MIA) and has been closely involved with the MIA's assessment and response to the Discussion Paper. Holden supports the submission of the MIA.

Holden draws upon the extensive knowledge and experience of its global Propulsion Engineering team, which is a fully integrated part of the General Motors (GM) Global Product Development group, headquartered in Detroit, Michigan.

Holden Propulsion Engineering has extensive experience in internal combustion engine (ICE) and battery electric vehicle (BEV) propulsion. The group works with Holden Engineering's Advanced Vehicle Development (AVD) team based at Holden's headquarters in Port Melbourne and Proving Ground and Emissions Laboratories at Lang Lang, Victoria Australia. The AVD group works on advanced vehicle development, including BEV and autonomous vehicle (AV) technologies.

Holden offers its engineers, technical teams and facilities to provide further advice on technical and global aspects of the policies raised in the Discussion Paper, in addition to this submission.

## **Holden Operations**

Holden is a wholly owned subsidiary of GM. In 2018 Holden was the third largest volume importer of new light vehicles in New Zealand (NZ) and the largest volume importer of heavy trucks, through its Isuzu Truck operations. Holden has over 50 car sales and/or service Dealerships and 20 Isuzu Truck operations across NZ, employing over 1,200 people. Holden's NZ distribution office is based in Mangere Auckland and its Australian head office is in Port Melbourne.

Holden has engineering operations in Australia as part of GM's global engineering group. Holden Engineering has extensive expertise in vehicle emissions work, with the Holden Propulsion Engineering group specialising in emissions development and powertrain calibration for GM vehicles sold in global markets including the USA, Europe, Asia-Pacific and China.

Holden's Emissions Laboratories and test tracks at its Lang Lang Proving Ground, have recently undergone a \$20 million upgrade to undertake emissions testing and calibration work for GM global programs across the full mix of emissions regimes, including Euro 6. Holden engineers and technicians are global experts in vehicle powertrains and emissions.

GM operates a global Design Centre in Australia, which is the only GM Design Centre outside Detroit which can fabricate a fully operational concept vehicle from sketch. GM Australia Design creates pre-production, 'show cars' and concept vehicles for all GM global brands, including Holden. The Design Centre works closely with Engineering and designs global vehicles which incorporate a full suite of future vehicle technologies, including BEV, fuel-cell and AV technologies.

## Holden's commitment to a green future

GM has a global product vision for Zero Crashes, Zero Emissions and Zero Congestion.

A message from GM Chairman and CEO, Mary Barra

<https://www.gmsustainability.com/aspire/ceo.html>



### *Reimagining Personal Mobility*

We believe the future is electric, and we also believe it is autonomous, connected and shared. General Motors is making rapid advancements today to disrupt the traditional one vehicle/one driver model of mobility.

*“Climate change is real, and we take the challenges it presents seriously. We also recognize the transportation sector needs to be part of the solution, which is why we believe in an all-electric future.” – Mary Barra*

Holden is aligned with GM's global vision for Zero Crashes, Zero Emissions and Zero Congestion. Holden has previously taken a market lead in 2012 to import PHEVs in New Zealand and Australia, the Holden Volt. Unlike other markets with different demand and infrastructure support, the Volt was withdrawn from the Australasian market due to low consumer response.

Holden continues to closely monitor market sentiment and can draw upon EV products in the GM stable at a future time. Planning future product and introduction to market is a complex process which takes many years. A globally recognised planning horizon across brands, for bringing a new product to a market, is generally five and as much as eight years, depending on the vehicle type.

## Pathway to Zero

GM's global brands have commenced the transition to zero emissions from different starting points and are at various stages of this journey. The markets where GM operates have different strategies to achieve the desired Zero, Zero, Zero goal. GM recognises that due to a range of practicalities (including government policies, infrastructure, customer demand, customer usage and price sensitivities), it will be a long transition from ICE to BEV and from human driving to autonomous vehicles.

## New Zealand Vehicle Emissions Policy

Holden has an emissions reduction strategy for its NZ and Australian product portfolios. Holden pays close attention to emissions policy and has a good record of working pro-actively with governments on vehicle emission regulation development. Holden has hosted numerous tours through the Proving Ground Emissions Labs to help governments gain a more detailed understanding of vehicle emissions and vehicle development processes, which generally are common to all global vehicle manufacturers, again we welcome the opportunity to offer this service to the NZ MOT officials.

Markets at a national level are unique, due to the different demographics of individual countries. Whilst there can be many similarities, there are also differences and no one size fits all. NZ has many differences to Australia, which is reflected in Holden product planning for these two markets. Likewise, NZ has many differences to other vehicle markets such as Europe and the USA.

Emissions policy needs to be considered in this regard and should be developed in a manner suited to the local market. While policy structure may be common, copying the targets and timelines of other countries only works where there is a close alignment of motoring and vehicle demographics.

For NZ, Holden advises against carbon-copying the emissions regulations of other places such as Europe, due to the very different motoring demographics and market conditions.

Holden does not recommend emissions policies which undertake to play a fast catch-up to other countries. Emissions regulations should be made suitable for our local markets, with appropriate timeframes of implementation. If this does not occur, the likely outcome is increased cost burden and decreased product range for consumers. Ultimately, it could also jeopardise the viability of vehicle distributors and dealership businesses in NZ.

Trying to achieve a similar target and timeline to Europe (as referenced in the Discussion Paper) and using penalties and unrealistic credit offsets, will increase the viability risk of new models for the period 2023-2030. Holden sees the current proposal as having a detrimental impact on consumer choice, pricing and new model launches. A standard with significant penalties, intended as a fast catch-up to unrealistic CO<sub>2</sub> emission target levels, will cause disproportionate advantages between New vehicle brands, as well as between Used importers and New vehicle importers.

Holden notes the comments of the Australian National Transport Commission in its June 2019 information paper on the Carbon Dioxide Emissions Intensity for New Australian Light Vehicles 2018, where it states:

*There are many reasons why Australian light vehicle emissions are higher than Europe. Some reasons include:*

- *Australian consumer preferences for heavier vehicles with larger and more powerful engines for torque (i.e. payload and towing).*
- *Australia has a lower proportion of diesel-powered engines (and no local small car manufacturing).*
- *Australia has fewer government incentives for lower emissions vehicles.*
- *Relatively lower fuel prices in Australia compared with Europe.*

Holden believes these same reasons are also true for the NZ market, as it has different automotive demographics and functional needs compared with Europe, which has evolved over a long period of time.

Attempting to play a fast catch-up to Europe, with disregard for the realities of global product planning processes, will cost NZ motorists through increased prices and decreased choice and could also jeopardise the business viability of New vehicle importers and their dealership businesses.

### **New Zealand is different to Europe**

The NZ New vehicle model mix is very different to Europe, particularly with a higher concentration of larger vehicles and light commercial vehicles (LCV). The skew of New vehicle imports towards larger and LCV models, is driven by the significant volume of small and light Used passenger vehicle imports, which enter the market every year (unlike Europe). This unique characteristic of the NZ market limits the ability and viability of New vehicle importers to provide a full range of passenger vehicles. The impact of these Used imports is not factored into the European, Japanese or American emissions standards.

Copying European targets would restrict choice in the NZ market, rather than improve it. Many products currently in Europe would still be unavailable or impractical to import to NZ in low volumes. Viability of scale in NZ, including small market size and distance from countries of manufacture, sometimes means there is no availability, or a narrower range of some models compared to larger markets with local production (such as Europe and Japan).

Europe's scale means niche models still have enough volume or price value to be viable in a range, however in NZ or Australia some niche models are below the threshold and are excluded. For light commercials and small cars, local fuel quality differences are also taken into account, which leads to varied powertrains in NZ and Australia, compared to Europe.

The NZ and Australian car parc, model mix, consumer preferences, road conditions, fuel prices, duty/registration and homologation rules have evolved over many decades, with differences to Europe, Japan and the USA. The NZ market is also influenced by unique local factors, including the NZ tax structure.

An instrument adopted by many OECD countries to lower CO<sub>2</sub>, is increasing fuel and road-user price/duty and incentivising earlier scrappage. The effect of these policies and their influence on CO<sub>2</sub> reduction in other countries must also be factored in when making global comparisons for the setting of targets in NZ.

A Working Group could analyse a range of emissions reduction policy options including vehicle scrappage, age reduction, tax allowances and user charging schemes.

### **Emissions Policy suited to NZ**

The small size of the NZ vehicle market makes it a product taker and this need to be taken into account when developing policy and targets.

Holden believes a rapid timeline and targets aimed at matching Europe is unachievable across the industry for NZ. While the characteristics of the NZ market need to be considered and incorporated into targets and timelines (i.e. impact of Used imports on the sale of New light and small passenger vehicles), a NZ standard should still be similar in structure to other global standards (i.e. which adopt split Passenger Vehicle (PV) and Light Commercial Vehicle (LCV) targets and timelines) and have credit schemes and a range of penalties, not necessarily all financial.

## **Penalties**

The level of penalties proposed in the Discussion Paper would likely result in adverse disruption and market abandonment for some manufacturers or products for a period, or indefinitely.

The penalty principle relies on the offset of credits between models, or trading between entities, or the ability to pass on the cost to consumers. While this can work for manufacturers which have broad model ranges or are part of large distributor groups (i.e. with multiple brands - another unique characteristic to the New Zealand market), it could be a competitive disadvantage to single manufacturer organisations, or manufacturers focused on specific segments of the market.

If penalties are too high, companies which are forced to absorb or pass on these penalties would need to rely on the same actions being taken by competitors and/or Used importers, otherwise there is a risk of being uncompetitive. This then endangers company viability and/or investment in next-generation products, rather than encouraging it.

Holden believes this should be considered very carefully and allow a suitable timeframe for transition.

## **Solutions**

This submission includes suggested solutions which Holden believes could make the CCS and CCD workable.

Primarily, Holden and the MIA believe a Government/Industry Working Group should be established to thoroughly review the CCS and CCD proposals and make amendments to enable a workable system with achievable targets and timelines for NZ.

Holden believes the two policies (CCS and CCD) should be complementary and help drive each other. The ICCT and leading European countries recommend that incentives are key to making a standard and targets achievable.

Holden would welcome the opportunity to explore solutions as part of a Working Group.



## **Clean Car Standard Proposal – Key Points and Suggestions**

Like the MIA, Holden does not support the proposed Clean Car Standard (CCS) in its current form. Holden believes the CCS is unachievable for NZ and will be of higher cost and lower benefit than the proposal suggests. The CCS would be unrealistic and inequitable for the NZ market and does not include key features of other global standards, such as Europe, USA and Canada.

The penalties proposed are far too severe and will threaten the viability of manufacturers and their dealership businesses in NZ. The targets and timeframe indicate an intent to catch-up and align with a Europe type standard.

- **Europe has significantly different motoring demographics to NZ**

Europe has a higher penetration of diesel, small cars, manual transmissions, less 4x4 commercials, more vans and the added benefit of local manufacturing.

Europe does not (in large) have a Used import business. Used imports in NZ have an effect of limiting the penetration of New light and small vehicle imports.

Europe's demand is influenced by EV/PHEV incentives, scrappage incentives, and conversely by high fuel taxes, higher registration/duty on larger engines and fuel type, CO<sub>2</sub> compliance, narrower roads, more urban congestion, more parking restrictions and better public transport networks.

These factors (not all of which are for direct intent of CO<sub>2</sub> reduction) have, over a long period of time, boosted the dominance of smaller vehicles in Europe, thereby significantly reducing CO<sub>2</sub> emissions.

- **Transition timeframe is too short**

Planning horizons for low volume import markets like NZ are longer, not shorter. Emissions reduction policy implementation must acknowledge and factor in the significant investment costs, long lead times of product planning and execution timing of new technologies into vehicles.

Holden agrees with the MIA modelling which shows the net effect of the credits and penalties of the CCS, could lead to accumulated fees in the order of \$1.3 billion over the period of 2022 to 2025. This net impact would not be balanced across manufacturers, especially those with limited product ranges, products in the early stages of their current generation, or not part of large distributor groups. This may affect the viability of these manufacturers and their dealerships, irrespective of the products they sell and their fuel efficiency.

- **Lead times across the motor industry**

Planning lead times are typically five years or more for the development, manufacture and delivery of New vehicles. BEV, PHEV and LCV lead times can be longer.

Once released, these models will stay current in the market for four to six years for PVs and up to eight years for LCVs. Products for NZ up to 2024 have already been planned and post-2025 planning is underway. Unlike the Used importers, these lead times are unique to New Imports and their manufacturers.

- **It will take longer to secure new models and production capacity than expectations outlined in the Discussion Paper**

The proposed CCS timeframe is impractical as it will take time to assess the effects of both the CCS and CCD, forecast revised sales volumes, influence customer demand preferences and ramp up infrastructure in support. This is an added factor of risk in any future business cases before new model programs can be committed to.

- **The cost penalties, relative to scale and unique characteristics of the New Zealand market, would be cost prohibitive to the NZ motor industry**

Holden suggests the proposed CCS be re-structured to be lower cost (a \$100 penalty is too severe in the short term), less administrative and have a suitable timeframe, typically 10 years with points of review.

It should be aligned with typical OECD standards, by splitting the PV and LCV segments and using a weight-based formula. Weight banding has not been used in Europe, Japan, USA and Canada and the ICCT recommends CO<sub>2</sub>-to-attribute formulas.

Without amending the CCS, NZ consumers will bear substantial costs and in turn restricted choice. The desired outcomes of the policy are also unlikely to be achieved in the present form.

The Discussion Paper states that a 105g/km target is under consideration in Australia. It must be acknowledged that this was the strongest of three options under consideration in Australia prior to 2019 and reflected the Europe standard (in which the 105g number relates to PVs only and excludes LCVs). It was opposed by industry as being unachievable. The Australian Government campaigned against the introduction of a CO<sub>2</sub> standard at the 2019 election and has since disbanded the proposal in entirety, after winning the election.

### ***Suggestions:***

Establish a Government-Industry Working Group to rework the CCS into a format that makes the targets realistic and effective. A well-planned CCS in combination with a CCD could promote demand-led industry change, to achieve emissions reduction:

- Apply a CO<sub>2</sub>-to-weight formula standard with realistic targets, comparable to structures of other typical OECD standards.
- Split targets between PV and LCVs.
- Generates a suitable headline PV target and milestones to track expectations.
- Include review points to assess industry tracking and if needed, target adjustment.
- Incorporate a comprehensive credit scheme, with banking (banking must be for grams of CO<sub>2</sub> rather than dollars - this will allow for phased penalties).
- Reduce the CCS penalties and amend the timeframes, consider alternatives to direct financial penalty in the short term to drive progress while manufacturers prepare for target achievement (i.e. public industry reporting on achievement).
- Reduce the short term penalties (from \$100) so as not to jeopardise manufacturer viability as they plan for target achievement and new model/technology introduction.
- Implement Discount/Rebate incentives (CCD) before introducing the CCS.
- Develop in-life CO<sub>2</sub> aged vehicle control and scrappage for the whole NZ vehicle fleet (i.e. short term plans to retire the oldest, higher CO<sub>2</sub> vehicles earlier will have a significant short term impact).

## **Clean Car Discount Proposal – Key Points and Suggestions**

Holden supports the position of the MIA for the proposed CCD. Holden gives measured support to the CCD, on the principle that it could help drive demand and consumer preference for LEVs, however there should be caution given to the impact fees will have on industry sectors such as agriculture and trades which may be limited to particular types of vehicles.

While the CCD may act as a demand-led incentive on sales of New or Used import LEVs at first registration, Holden disagrees with the proposed funding method, which will create distortions in the New/Used Import market and will unfairly penalise many commercial users (i.e. LCVs) and families requiring larger vehicles (i.e. 7-seat) who have very few alternative choices.

- **NZ's utility lifestyle demographic**

There is an increasingly strong demand for large, high tow rated, load carrying, dual purpose utility LCVs. Agricultural, trade and tourism industries rely on these types of vehicles for specific applications.

New Zealand industries need LCVs as fundamental tools of business. Approximately 69% of Utility vehicles are bought by business, with only approximately 46% of them sold in the three major cities. When funding the discounts, any CCD penalty should consider the business and rural burden, given limited vehicle alternatives.

The CCD in its proposed form penalises almost all LCVs and will be a cost directly borne by business (the cost will be magnified when combined with the CCS), putting further pressure on industries which are already facing economic headwinds.

- **CCD impacts in the short term will have a low km cost benefit**

The CCD discounts will likely, in the short term be taken up by early-adopters in the three main Metros (primarily higher income earners with short distance use profiles), which represents a relatively low cost-benefit to NZ. This is mainly due to the current cost premium of new import, highly efficient LEV/PHEV/EVs, or lower practicality of the older generation Used imports (i.e. size / range).

However, industries and private consumers who travel large distances and require larger vehicles will, in the short term be forced to pay the penalty, as there will be very few equivalently priced vehicles available (i.e. LCVs / 7 seat vehicles). The impact of the fees to business and low income families will be perceived negatively by the consumers.

- **Treating 1-3 year-old Used imports like New imports undermines the business case viability for New models**

Treating 1-3 year-old Used vehicle imports, like New vehicle imports, poses significant risk to the viability of new vehicle business cases and introductions. Many used imports may already be benefiting from government rebates in other countries. Without the need to invest in NZ market development and new model launch costs (i.e. ADR/ANCAP), Used imports with parity CCD discounts to New imports, will have a significant pricing advantage. This could lead to New vehicle programs being uncompetitive and non-viable, resulting in increased sales of older vehicles without the latest technology and safety features.

***Suggestions:***

Establish a Government-Industry Working Group to consider the following amendments to the CCD:

- Business Relief - Exempt or apply a reduced fee to businesses, i.e. -30% on LCVs.
- Influence take-up of younger Used vehicles by limiting the CCD discounts only to vehicles aged less than 8 years while applying fees to all Used imports regardless of age.
- Keep Used imports separate from New imports and do not allow Used imports aged 3 years or less to receive the same level of discounts as new imports.
- Timing – consumers and manufacturers should be given sufficient time to adapt or the CCD penalties will be viewed as a tax on industry and large families. Investigate delaying the fees introduction but commencing discounts as soon as possible (i.e. discounts commence 2020, fees commence 2022).

## Appendix A: Answers to the Discussion Document key Questions

### **Part 2A: How the Clean Car Standard would work**

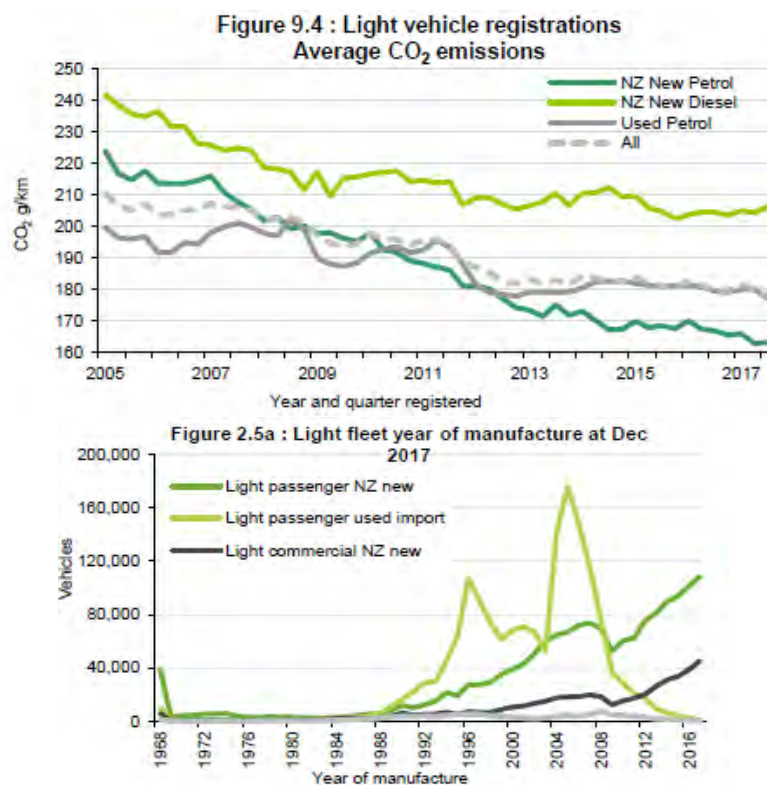
#### ***• Is the Clean Car Standard appropriate for New Zealand? If not, why?***

- Holden believes the CCS is not appropriate for NZ in its current form. The targets are unrealistic for the timeframe and would be unachievable for the industry.
- A workable standard with appropriate and realistic target levels for the NZ market and incorporating globally consistent features and mechanisms, such as split targets between segments (PC/LCV) and a comprehensive credit system, should be developed by a Working Group.
- Holden does not support weight banding within a CCS. Weight banding is unfair to vehicles at the lighter end of the band and can even promote attempting to get heavier vehicles to obtain lower targets. European type formula-based targets are considered the most appropriate.
- A CCS could align with the CCD incentives scheme and within it could have CO<sub>2</sub> life of vehicle initiatives applied to the wider light vehicle fleet, to influence retirement of older vehicles and purchase of new, cleaner and safer vehicles.
- Holden recommends establishing a Working Group to develop a CCS which is appropriate for NZ. Holden would welcome the opportunity to participate in a Working Group.

#### ***• Is an average emissions target of 105 grams CO<sub>2</sub> per kilometre by 2025 an appropriate target for New Zealand? If not, why?***

- Holden believes the proposed target is unachievable in the proposed timeframe and therefore is not appropriate for NZ. A Working Group should develop target levels which are appropriate for NZ.
  - The Discussion Paper states that a 105g target is under consideration in Australia. It must be acknowledged that this was the strongest of 3 options under consideration by the Australian Government prior to 2019 and was opposed by industry as being unachievable. The Australian Government has since disbanded the proposal in entirety.
  - The 105g target referenced for Europe applies to passenger vehicles only in Europe, with separate targets for light commercials in the range of 130-165g for 2025 (in a market with a skew towards Vans rather than utilities).
  - This split target structure (PC & LCV) in Europe is similar for CO<sub>2</sub> standards in most other OECD countries, including USA and Canada.
  - European buyer preferences, motoring demographics and road / registration / fuel tax regimes are very different to NZ.
  - Europe has been on a pathway to its level of targets for decades, directly and indirectly through infrastructure, taxation and public policy.

- Europe's new vehicle manufacturers do not compete with used vehicle imports (which in NZ predominantly cover small/medium LEV car imports).
  - The competition with Used constrains New import sales of the most fuel-efficient smaller vehicles, which would be needed in a balanced portfolio by new vehicle importers, to offset higher emitting vehicles in order to hit the proposed targets.
- As Used imports lack age control and updated emissions controls (such as Euro 4/Japan05 regulation introduced in 2012), the Used market can continue to import Used light vehicles at a higher CO<sub>2</sub> average, which undermines both the viability of small/medium New imports and the CO<sub>2</sub> reductions progress from New imports. This restricts the range of New passenger LEVs in NZ, compared to Europe or Japan.
- This will continue to limit the viability of New import low-CO<sub>2</sub> PHEVs and LEVs. Graphs below show Used CO<sub>2</sub> and Age at Dec 2017. With Nissan Leafs removed from sales, the CO<sub>2</sub> line is flat since 2011. With no update to 2012 emissions regulation, the age peak of 2003-2005 built Used vehicles is growing. (Source NZTA)



- A combination of a suitably designed CCS and CCD could limit the age of Used imports, thereby resulting in reduced CO<sub>2</sub> emissions. This could be assessed by a Working Group.

- ***What effect do you think the Clean Car Standard would have on vehicle supply and prices?***
  - We refer to the MIA response and modelling.
  - In its current form, the proposed CCS will place substantial pressure on New importers. The modelled losses are not sustainable in the short or longer term, until product development, consumer tastes and infrastructure allow for mass adoption of highly fuel-efficient vehicles. This increases the risk of viability for both New models and manufacturers in NZ.
  - To survive and have viable business models in the short term, significant distortions are likely to arise in pricing models, which in turn, would likely lead to price rises across industry. Price rises would likely be spread across models, not just applied to high emission models in order to spread the risk and create a broader viability base. This would have an effect of negating some CCD rebates and CCS credits.
  - The most fuel-efficient EV and PHEV vehicles are far from price parity, nor profit-parity, with their ICE equivalents and are unlikely to be so for many years. The low profitability is a combination of the higher cost of EV and battery technology compared to ICE and a subdued mass market willingness to pay extra for EVs while there is a compromise on practicality and convenience compared to owning an ICE vehicle.
  - Having both supply and demand penalties is a 'double price hit' to vehicles which are needed in the market (ie. LCVs for farmers, trades and tourism, and large affordable 7-seat vehicles for families).
    - This is a direct hit to the consumer and exceeds penalties in other markets.
  - Resultant price rises may push consumers into cheaper used vehicles, with poorer emissions and safety technologies.
    - This would put further pressure on the viability of New vehicles and undermine the ability to justify smaller LEVs in New vehicle portfolios.

## **Part 2B: How could the Clean Car Standard be implemented?**

### ***• Do you consider the overall process outlined for the Clean Car Standard is workable? If not, why?***

- No, Holden believes the proposed target path is too aggressive and will negate its effectiveness and increase risk. We refer to points made in the MIA submission.
- Target levels and timeline, including a suitable lead in period, should be developed appropriate for NZ. The target should be split between PVs and LCVs and incorporate a suitable credit system.
- The level of penalties is unsustainably high if targets are not met and could jeopardise both manufacturer and dealership viability, and New car prices.
- The proposed CCS is not consistent with other leading global standards and the rate of CO<sub>2</sub> reduction is also too aggressive by comparison.



- A Working Group should be established to develop a workable CCS for NZ.

• *The Clean Car Standard will cover new vehicles and used vehicles being brought into New Zealand. Should people who import three vehicles or less be exempted? If not, why?*

- No, Holden believes this will spawn new methods of importation with an intent to bypass the regulation, such as new 'distribution' businesses establishing to act as agents for aggregating multiple buyers who are importing less than three vehicles.
- A Working Group should devise an alternative plan which enables niche import of specialist vehicles, but prevents the creation of a new mass-market 'low-volume' import structure for Used vehicles, aimed at bypassing CO<sub>2</sub> regulation.

• *Do you support phasing-in the 105 grams CO<sub>2</sub> per kilometre emissions target by:*

*> adopting multiple targets that progressively lower to 105 grams?*

- Suitable targets and timeframe for NZ should be developed by a Working Group.
- 105g is likely only achievable if it is set in a timeline past 2030 and is focused on a PV target, with LCVs split out and given separate targets (as per Europe).
- The fairest and most effective approach is to set progressive targets that are realistic but drive lower emissions. This allows equality across industry and promotes the viable importation of vehicles that can still suit buyer preferences (i.e. EVs/fuel efficient SUVs).
- Holden envisages that beyond 2030, PV and LCV emissions will converge and be closer aligned, with a GVM formula being a practical application.
- Holden recommends a split target between PVs and LCVs and the timeline should include points of review, for Government and industry to assess if the industry is capable of meeting targets and if necessary, review the targets or set limits.
  - This approach does not penalise importers which supply only a portion of the market, i.e. LCVs.
- The targets need to separate out LCVs and understand the varied development life cycles for emerging technologies, i.e.
  - EV technology is already developed and available on passenger vehicles.
  - EV technology is starting to emerge on SUVs.
  - EV technology is still to be developed on light and heavy commercial vehicles (further impacted on NZ's requirements for 4x4 commercials and heavy commercials for industry, as opposed to light vans).

*OR > using the increasing percentage of fleet approach?*

- This approach penalises importers which are focused on specific portions of the market (ie. do not manufacture SUVs / passenger vehicles) and imposes penalties which lead to unsustainable business models (even though some of the importers may have the most fuel-efficient vehicles in their specific sub-segments)



**• Do you support the timeframe for the phase in period? If not, why?**

- The timeframe for the phase in period is too short. Holden does not support it for the following reasons:
  - Product planning and life cycles are approximately 5 years and as much as 8 years.
  - Fastest product development is still passenger vehicle focused which is not demanded by NZ consumers in significant numbers and competes directly with the Used import market (which also has the benefits of vehicles which can receive 'double' government rebates, ie. in original country of sale and again when being imported to NZ).
  - NZ electricity infrastructure is not ready for the mass adoption of the volume of EVs which would be needed to achieve the proposed targets set for 2025.
- Holden believes it is not until the second half of the decade (2025-2030) when there will be the volume of product, customer demand and infrastructure necessary to achieve these target levels.

**• Do you support adopting a weight-adjusted Clean Car Standard? If not, why?**

- Holden does not support the weight banded approach of the CCS as proposed.
- Holden believes a weight-adjusted formula is a better approach rather than bands.
- Like Europe, a weight-adjusted standard should separate LCVs and assign them different targets and reduction rates which reflect their specific usage.
- Holden proposes using GVM, rather than tare weight as it is better applicable to the NZ market and a split target.
- Tare weight would have an effect of increasing diesel content and distorting the LEV mix. GVM is a more practical design criterion.
- The CCS as proposed would penalise customers and businesses which require fit for purpose vehicles, if those vehicles are to have the same targets as passenger/SUVs in the same weight band.
- There should be a split target for PVs and LCVs.
- A Working Group should develop a suitable structure for a CCS.

**• Do you support a penalty of \$100 for each gram CO<sub>2</sub> per kilometre that a supplier of new vehicles exceeds its fleet target? If not, why?**

- Holden does not support and believes this level of penalty is punitive. Holden agrees with the MIA modelling which shows the net effect of the credits and penalties of the CCS proposal, could lead to accumulated fees in the order of \$1.3billion. This net impact would not be shared equally across the manufacturers, especially those with limited product ranges or not part of large distributor groups. This may affect the viability of

these manufacturers and their dealership businesses, irrespective of the products they sell and their respective fuel efficiency.

- This level of penalty, in conjunction with the proposed targets (which do not separate out LCVs), is too harsh.
- With a more realistic target and timeline, the penalty should still be lower. Europe's model variances dictate higher volume and CO<sub>2</sub> variances compared to NZ scale, so a lower dollar per gram penalty would still be effective.
- GM is committed to an all-electric future by delivering affordable EV products. However, the proposed short-term penalties, combined with a reliance on the current model line-up until the next generation of vehicles arrive, mean GM's viability and its associated Dealer Network in New Zealand would be significantly impacted under the proposed \$100 CCS penalty. <https://www.gmsustainability.com/aspire/ceo.html>
- The short-term penalties may jeopardise availability of some of the industry leading EVs of the future, including from GM, which is a global leader in electrification. Restricting access to these vehicles for NZ would be counter to the intent of the policy.
- Holden believes the penalty needs to be completely re-assessed in consultation with industry and any penalty should be equivalent for the New and Used vehicle markets and at a minimum be phased or have increasing levels of penalties / credits – ie. start low and increase over time.
- Holden recommends reducing the CCS penalties and amend the timeframes, consider alternatives to direct financial penalty in the short term to drive progress while manufacturers prepare for target achievement (i.e. public industry reporting on achievement).

***• Do you support a penalty of \$50 for each gram CO<sub>2</sub> per kilometre that a supplier of used imported vehicles exceeds its fleet target? If not, why?***

- No, Holden believes any penalty for Used vehicles should be equivalent to New vehicles.
- It should not be assumed that margins for New vehicles are higher than Used (benchmarks by Deloitte indicate otherwise), when the New vehicle price needs to incorporate costs including vehicle development, marketing, organisational/dealer facilities and warranty costs.
- Used vehicles could also attain a 'double' benefit from government subsidies or incentives for fuel efficient vehicles offered in source countries, when originally sold new as well as the CCD benefits in NZ.
- A Working Group should assess an appropriate penalty, applied equally to New and Used. Penalties need not necessarily be only financial.

***• Do you support the banking mechanism to provide flexibility for vehicle suppliers? If not, why?***

- Yes. A Working Group should assess an appropriate credit system including banking, for a CCS.

- A banking system should be based on grams of CO<sub>2</sub>, not financial (\$) credits. This would allow for a phased or increasing level of penalties / credits – ie. start low and increase over time.

**• Do you agree that the new vehicle sector should have the added flexibility of borrowing? If not, why?**

- Yes. A Working Group should assess an appropriate credit system including borrowing, for a CCS.

**• Do you support an arrangement for suppliers to pool their vehicles together to comply as a group? If not, why?**

- A Working Group should make an assessment of this arrangement.
- This is unlikely to happen unless brands have the same parent company. Given the uncertainty of policy, the inaccuracies in predicting consumer trends, volume forecast changes in the size of the market, direction of the economy etc., importers are unlikely to trade credits with competitors if there is any risk to their future business plans. This then places manufacturers which focus on a small portion of the market (ie. commercial vehicles) at a significant disadvantage to 'mainstream' brands.
- NZ, unlike many other larger markets (i.e. Europe) has many private distributor companies which control a number of brands, the ease in trading between these brands will create a competitive advantage over single brand OEM operations.

**• Do you agree that new and used vehicle suppliers should not be able to pool their vehicles and comply as a group? If not, why? If you think they should be able to comply as a group, how should the different lifetime emissions of new vehicles and used vehicles be measured and balanced?**

- Holden believes New and Used vehicles should remain split and there should be no pooling. All Used vehicles should be required to comply with a CCS and Used should be treated equally to New with respect to penalties.
- Fundamentally, a newer fleet is better for NZ, to deliver the latest technologies for safety and fuel efficiency. Pooling could lead to New importers forming alliances with Used importers that result in flooding the market with older, cheap vehicles in order to subsidise the new model line-up (rather than working to bring new vehicles and technology into the market).

**• Do you support having the following penalties for misreporting data for the Clean Car Standard: 0 for an individual, a fine not exceeding \$15,000 0 for a person or an organisation other than an individual, a fine not exceeding \$75,000? If not, why?**

- A Working Group should assess this and consider an appropriate level of penalty.

**• Do you support the sanction of disqualification from being a registered motor vehicle dealer if a supplier deliberately attempts to evade meeting annual targets? If not, why?**

- A CCS should capture and ensure compliance of all vehicles of New and Used importers.
- A Working Group should assess compliance and suitable penalties of a CCS.

**• Do you support amending the Fuel Consumption Information Rule so that only vehicles tested to the WLTP, NEDC, the JC08, and the American Federal Test Procedure meet requirements for entry certification? If not, why?**

- Yes, however it should be noted that the different test cycles do not generate equivalent results.
- Holden agrees with the MIA that the Japanese 10/15 test should be removed and that any vehicles that are only tested to that protocol should not be imported to NZ.
- Note also that while Europe now use WLTP test procedure for fuel economy and exhaust emissions, their CO<sub>2</sub> regulation is still based on the NEDC test procedure. WLTP test results are converted to NEDC equivalency or NEDC data is used.

**• Do you agree with the proposed process for setting future emission targets? If not, what would you change and why?**

- A Working Group comprising representatives from Government and industry should be established to develop a CCS structure, targets and timeframes that are appropriate for NZ.
- Infrastructure, product and technology availabilities across the full spectrum of segments and models should be taken into account when developing appropriate targets.
- Targets should not be adverse to industry (particularly agriculture and trades), a viable automotive sector, niche manufacturers and consumer preferences.
- Reduction rates in other markets (i.e. the “slope of the line”) should be used as the maximum basis for NZ reduction rates.

**Part 3A: How the Clean Car Discount would work**

**• Is the Clean Car Discount appropriate for New Zealand? If not, why?**

- Holden supports the position of the MIA for the CCD. Holden gives measured support to the CCD, on the principle that it could help drive demand and consumer preference for LEVs, however there should be caution given to the impact it can have on industry sectors such as agriculture and trades which may require particular types of vehicles or families looking for large vehicles (i.e. 7-seats).
- Holden is concerned that the CCD combined with the operation of the CCS, will result in a penalty ‘double up’ which could impact sections of the market (especially industry and large families).

- To avoid the unfairness of dual penalties plus the additional financial impact dual penalties would have on business, Holden suggests business sales of LCV are exempt from CCD.
- Holden also believes that buyers of luxury large PVs would generally still have a choice to buy cleaner PHEVs, so the upper pricing limit could be reconsidered by a Working Group. It should apply for New and Used.
- Holden suggests that Road User Charge concession on EVs continues, with an appropriate rate considered by a Working Group.

### **Part 3B: How could the Clean Car Discount be implemented?**

#### ***• Is the emissions benchmark of 105 grams CO<sub>2</sub> per kilometre by 2025 an appropriate one to have for the Clean Car Discount? If not, why?***

- Holden believes the 105g target is too aggressive, unrealistic and unachievable for the NZ market. An appropriate benchmark should be developed by a Working Group.
- There should be a split target, with a headline number for PVs, similar to the European standard.
- LCVs should be exempt or separated, with appropriate targets applied after the assessment of a Working Group and available vehicle technologies.
- Holden envisages that beyond 2030, PV and LCV emissions will converge and be closer aligned, with a GVM formula being a practical application to allow this.
- The 105g target is not aligned with the imports taking up a large portion of the small / cheap end of the market.

#### ***• Would an initial emissions benchmark of 150 grams CO<sub>2</sub> per kilometre be suitable for the first year of the Clean Car Discount? If not, why?***

- Yes, for passenger vehicles only. This should be assessed by a Working Group.

#### ***• Would the level of the fees and rebates in the example feebate schedules (Appendix 4) increase demand for low-emission vehicles? If not, what changes would you make?***

- Holden supports the MIA position and believes the 'feebate' system may influence the purchase of more LEVs.
- The CCD discounts will likely, in the short term be taken up by early-adopters in the three main Metros (primarily higher income earners with short distance use profiles), which represents a relatively low cost-benefit to NZ. This is mainly due to the current cost premium of new import, highly efficient LEV/PHEV/EVs, or lower practicality of the older generation Used imports (i.e. size / range).
- However, industries and private consumers who travel large distances and require larger vehicles will, in the short term be forced to pay the penalty, as there will be very few equivalently priced vehicles available (i.e. LCVs / 7-seat vehicles). The impact of the

fees to business and low income families will be perceived negatively by the general public.

- A Working group should assess appropriate fees, rebates and exemptions.
- Holden believes the rebates are too high for Used and should be varied reflecting age, while removing any Used from the new vehicle definition. For example:
  - Influence take-up of younger Used LEVs by limiting discounts only to vehicles aged less than 8 years while applying fees to all Used imports regardless of age.
  - Keep Used imports separate from New imports and do not allow Used imports aged 3 years or less to receive the same level of discounts as new imports.
- There is still a low mass-market acceptance of LEVs however this scheme may help.

**• *In the example schedules the schedules change every year to lower the emissions benchmark and to keep the scheme self-financing. Do you think annual change is practical or should there be less change?***

- There should be a commitment to the CCD discounts offered, applied over a longer period and with no change. Holden agrees with the MIA that the longer and higher the incentives, the faster the switch to LEVs is likely to be.
- Manufacturers base business cases around future volume demand and transactional pricing. There needs to be surety as to the amount paid to EVs, i.e. if the policy causes a significant decline in LCVs and uptake in EVs and no longer becomes self-financing, the rebates should still be issued to consumers as detailed. They should not be changed.

**• *Should new vehicles include near-new vehicles less than 3 years old?***

- No, Holden cautions this approach. It would distort the market and reduce viability of LEV passenger cars as New Imports.
- Treating 1-3 year-old Used imports like New imports poses significant risk to the viability of new vehicle business cases and introductions, especially when these used imports may already be benefiting from government rebates in other countries.
- Without the need for Used to invest in NZ market development (ie. ADR/ANCAP), New vehicles could become uncompetitive and non-viable, leading to increased sales of Used vehicles without the latest technology and safety features.
- Used vehicles discounts should be reduced or boosted depending on age, with a discount limited to vehicles under 8 years old only.

**• *Do you think a zero band is appropriate? If not, why?***

- Holden suggests having fewer bands. This would be simpler and there should be a separate table for LCVs, for New and Used. This should be assessed by a Working Group.
- Used should be graded to encourage younger vehicles.

***• Do you think the size of the zero band in the example feebate schedules is appropriate? If not, why?***

- There should be separation so that there are some LCVs in a neutral band at commencement.
- Holden believes penalty fees should start one year after any discounts. This will allow assessment of effectiveness and funding. It will also allow longer time for those with needs to consider options.

***• Do you support the proposal to apply the fees and rebates directly at the point of vehicle purchase? If not, why?***

- A Working Group should consider how to implement the discount, with a focus on minimising administrative burden.

***• Do you support the penalties outlined in this section to ensure that fees and rebates are displayed on each vehicle and are correctly applied by vehicle suppliers? If not, why?***

- No, however a Working Group should consider appropriate measures for compliance.