

Hyundai Motors New Zealand Ltd (HMNZ) response to the Government's discussion paper on moving the light vehicle fleet to low emissions

HMNZ supports the proposed Clean Car Discount Scheme

HMNZ does not support the proposed Clean Car Standard

HMNZ is grateful for the opportunity to respond to the Government's discussion paper on moving the light vehicle fleet to low emissions. The paper released entitled *Clean Car Standard* and *Clean Car Discount* (hereafter referred to as the Paper) clearly articulates the Government's desire to reduce the CO2 emissions of New Zealand's light vehicle fleet. HMNZ is supportive of the Government's overall direction, but is concerned that too much emphasis is being placed on addressing supply without acknowledging that it is demand that dictates vehicle imports. HMNZ believe that limiting New Zealanders' choices will not produce the desired outcomes for the Government.

HMNZ is a member of the Motor Industry Association of New Zealand (MIA) and endorses the MIA's submission. HMNZ's response is focused on the high-level concerns that we have with the Government's proposals. HMNZ supports the Government's aim to reduce New Zealand's CO2 emissions and acknowledges that the light vehicle fleet makes a significant impact on New Zealand's overall emissions. HMNZ supports the Government's idea of introducing a Clean Car Discount (CCD), however the proposed Clean Car Standard (CCS) on newly imported vehicles to New Zealand is one that HMNZ does not support, as we believe it will not achieve its desired outcomes.

Hyundai Motors New Zealand

The Hyundai Motor Company is one of the largest manufacturers of vehicles in the world with an unparalleled reputation earned over 50 years in business. HMNZ is proud to be the largest 100% New Zealand owned automotive distributor, happy to pay our fair share of tax in New Zealand and supported by over 36 dealership locations throughout the country.

Hyundai is the number one electric vehicle (EV) brand in New Zealand (2018 and 2019 YTD). HMNZ know EVs and the New Zealand EV market. We have invested in bringing the latest EV technology to the market, and know the issues around supply and demand. HMNZ has a history of leading from the front in giving consumers options to purchase low and zero emission vehicles. The Hyundai Ioniq, a battery powered electric vehicle (BEV), was the first mass produced BEVs launched in New Zealand at a realistic price point. In addition to the Ioniq BEV (it also comes as PHEV and Hybrid) launched in 2017, we launched the long range Kona BEV in 2018, which is now the number one selling BEV in New Zealand.

HMNZ are also leading the next wave of low and no emission vehicles into New Zealand, through the Hyundai Nexo. The Hyundai Nexo is one of the world's first Hydrogen fuelled vehicles, and the first Hydrogen fuelled vehicle brought into New Zealand. Hyundai has plans to be New Zealand's first Hydrogen refueler, which is all part of our wider commitment to giving New Zealanders as many options as possible to own a low or no emission vehicle.

The Clean Car Standard

Hyundai New Zealand does not support the CCS as we believe trying to reduce emissions through controlling supply won't work. The New Zealand new car market is fundamentally different to other car markets around the world, and this is not reflected in the paper. New Zealander's demands for SUVs and Utes gives the New Zealand car market a unique profile, with over 45% of new vehicles registered in 2018 being SUVs. New Zealand's geography, driving conditions, and lifestyle choices are the major factors behind this, with consumers clearly showing a preference for SUVs.

A key assumption in the Paper is that it is distributors who are responsible for determining what New Zealander's drive. In our experience there are two factors that determine vehicles available on the New Zealand Market. The first being consumer demand, and the second available worldwide supply. Demand for vehicles comes from consumers, and suppliers respond to consumer demand. In the Paper it claims that "kiwis are missing out on many of the fuel-efficient vehicle models sold overseas". The implication seems to be that it is the suppliers who are not bringing the models into New Zealand. Hyundai has always promoted cars that have been classified as low emitters, however customers don't necessarily buy them.

The CCS set out in the Paper couples an unrealistic target with an unrealistic timeframe. The insinuation that automotive distributors (MIA Members) are the problem is untrue. Distributors can be part of the solution and we recommend that the ministry works with the industry and not subject them to additional costs. The CCS proposal is not workable and cannot be integrated with the CCD. The CCS would also need to be supported by changes to fringe benefit tax, to signal to change the existing fleet and overwhelming support from the industry to make it work. The CCS in its currently proposed form is untenable and will not deliver the desired results.

The CCS places all the onus on the suppliers to improve the emissions of New Zealand's light vehicle fleet but fails to account for the fact that suppliers are only responding to New Zealander's demands and available worldwide supply. The New Zealand market size compared to the world market is miniscule. In 2018 the total light vehicle production was approximately 92 million vehicles. New Zealand imported around 154,500 new light vehicles, or 0.17% of annual worldwide production.

Globally no market has a combined the passenger and light commercial target, which is what is proposed in the Paper. In the US and the EU there are separate targets for passenger cars and light commercials (light trucks). This is a more appropriate and logical way of addressing quite different market segments. Neither has a government had to address such a level of used imported vehicles – which undermines the efforts of the new car industry to lift the safety and fuel efficiency of the fleet.

Emission target

The CCS will burden distributors with large tax bills and could see some leave New Zealand. With our current projected emission improvements HMNZ would be facing a bill of \$71 Million dollars. Even if we doubled our business as usual improvements on an annual basis, we would still be facing a tax of \$31 million dollars. A ludicrous situation for the leading brand in the Electric Vehicle market in New Zealand. As an independent the only way we could address this is through an increase in price to the consumer.

The available technology, product mix and anticipated supply of low emission vehicles for New Zealand make the target and timeframe set out in the Paper both unrealistic. European demand for Hybrids and EVs is at record levels, with manufacturers prioritising production to meet this. With the small size and location of the New Zealand market, even a change in regulation won't change that, New Zealand is in competition for the same production pool.

To introduce a standard (105g) that almost halves the current average (from 180g) is far too drastic, especially when as has been noted by the Government, no standard currently exists. Internationally, regulations to limit vehicle emissions have been introduced over a longer period of time, with a steadily reducing target. The US provided a lead-in time of 13 years to reduce CO2 emissions by 43% by 2025. The US is not there yet, and Europe is likely to miss its 2020/2021 targets. Both of these markets have had time, the technology, volume of product and the best expertise in the world to try and meet their targets. The target and timeframe proposed in New Zealand are much shorter than international counterparts, and is in our opinion impossible to achieve.

Such a dramatic change, regardless of timeframe, will require moving to a much smaller sized fleet with decreased engine capacity, boot space, towing capacity and passenger room, all of which is out of step with what New Zealanders want. The required change in the composition of the New Zealand fleet to meet the Government's proposed target is clearly not in line with current consumer demand. New Zealanders preference is for larger cars, as shown by last year's record registrations of SUVs and one tonne Utes. This will take time to change, and availability of suitable product.

Clean Car Discount

HMNZ supports the introduction of a CCD. Through the CCS the Government is trying to address emissions by changing supply, without acknowledging that it is demand that determines what New Zealanders drive. The CCD on the other hand addresses the issue from the demand side. HMNZ leads the way in the sales of electric vehicles in New Zealand, being the first company to sell 100 electric vehicles in a single month, in June 2019.

Currently electric vehicles cost considerably more than the equivalent petrol model of the same vehicle. Mainly owing to the expense of the battery in electric vehicles. Creating a feebate scheme will reduce the cost barrier for those looking to purchase a new vehicle. The additional cost of the low emission technology is high, and the CCD is required to assist to improve its affordability. Additionally it sends a signal to the market that the Government is serious about taking action to reduce CO2 emissions.

Internationally, electric vehicles are in demand and manufacturers are struggling to cater for the public's appetite for them. Given the size of the New Zealand market it can be hard for suppliers here to secure a steady supply of electric vehicles if our experience is any indication. If the Government were to introduce the CCD it signals to car manufacturers that New Zealand is keen to increase its electric vehicles fleet, which in turn could make it easier for suppliers to secure orders for electric vehicles.

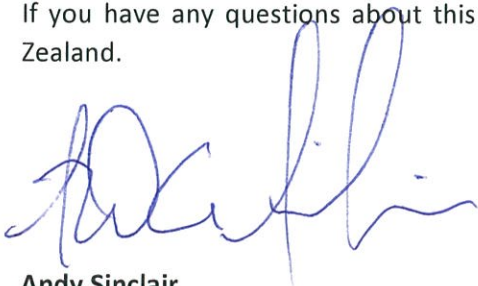
HMNZ believes that the price cap proposed is too low. While we understand the Government's desire not to subsidise luxury vehicles, given the cost of the componentry of electric vehicles we believe that an increase in the cap would better achieve the Government's aims. As a minimum the cap needs to be \$100,000, this would almost double the number of vehicles eligible for the scheme and ultimately would mean more electric vehicles on the road rather than internal combustion engine vehicles

The CCD should only apply to new vehicles. Allowing a used car, up to three years old, to be classified as a new car for the rebate will undermine the Government's objectives. It will inhibit the adoption of the latest technology and lead to older less efficient technology lasting longer. Customers also won't receive the support and extended warranties that the new car distributor offer, which could lead to negative sentiments towards EVs if the support isn't there for these vehicles. The NZTA system is well set up to differentiate between new and used, making a used car "new" would add complexity and confusion. The Paper proposes for used imported vehicles to be subsidised twice – once in the country of origin and again when it is sold as a "new vehicle" in New Zealand, which tilts the playing field against new vehicles and will undermine the age, efficiency, safety and emissions of the New Zealand fleet.

HMNZ believes making the scheme self-financing is prudent, and would advocate for introducing an annual review to ensure the scheme is operating dynamically and responding to demand.

HMNZ acknowledges that we all have to play our part in reducing emissions in New Zealand. Which is why we are market leaders in EVs and lead the way in introducing new technology like hydrogen fuel cell vehicles (the first to do so in fact). We believe that by focussing on increased demand for electric and low emission vehicles, with supporting supply, is the best way forward to achieve the Government's goals and benefit the wider community. We support the MIA proposed working party and would appreciate the opportunity to be a part of the conversation.

If you have any questions about this submission please don't hesitate to contact me at Hyundai Motors New Zealand.



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