

## **Submission for Clean Car Discount Subsidy:**

### **Summary of my Document:**

I do not support the Clean Car Discount, because the money goes offshore, and the discount is not linked to the usage of the vehicles that are discounted, and little is done to disincentivise the use of very dirty vehicles already in NZ. There is a shortage vehicle types in the global supply of EVs, it is not a functional market. The costs of the implementation of the scheme are expensive and are hard to adjust over the years, in order to maintain budget balance, also it's hard to secure the payments.

I offer an alternative which will be cheaper and easier to implement and will be more transparent and harder to abuse and will be near cost neutral for people for whom there is no current clean vehicle which suits their needs and easier for the government to balance the budget with. There would be no limit to the age or price of vehicles to be incentivised.

### **Personal Statement.**

I feel qualified to say something about this because:

I have a BSc from Massey University.

I studied Environmental Physics.

I worked at MetService measuring weather.

I spent a year selling used Electric Vehicles to New Zealanders.

I have owned an electric vehicle for more than two years, and a hybrid for five years before that.

I view this issue as of critical environmental importance and therefore, I request the opportunity to speak about this document in person.

Darryl Hanson,  
Paraparaumu.  
August 2019.

### **I do not support directly subsidising the purchase price of cars in New Zealand.**

I generally support the Clean Car Standard, I will use this as a starting place.

I am proposing an alternative to Clean Car Discount.

I can see a much more logical and easier to apply method, which will cost less and get better results.

The stated aim of the Clean Car Standard and Discount is to reduce CO<sub>2</sub> entering the atmosphere. To maximise the stated aim, at lowest cost, I will outline a method.

### **Terms in this document:**

RUC, Road User Charges are applied to non-petrol driven vehicles in New Zealand and are intended for road maintenance by payments for blocks of kilometres driven.

At the moment Electric Vehicles (EVs) ought to pay RUC but are exempt to 2020. PHEV vehicles, oddly, do not qualify for RUC.

There are petrol taxes, in the per litre price at the pump in New Zealand, there is some part, which is used as a payment of RUC, for the purpose of road maintenance. RUC is applied to all non-petrol driven vehicles below 3,500kg (Diesel, EV, Hydrogen).

## **I do not support discount subsidy payments for purchase of Clean Cars under the Clean Car Discount because:**

**There is currently a shortage of EVs in the global market.** Moving an EV from another country to New Zealand does not improve the global emissions situation. In economic terms, I see paying a subsidy as a market distortion. The global EV supply is not a well functioning or transparent market, the buyers do not have good information on which to base their purchasing position.

**There needs to be a method to collect and pay the payment,** which is a new system, and has costs, and would be prone to the money getting lost in the system, through fraud, lost paperwork, business disruptions etc. The Clean Car Standard and Discount discussion document was weighed down with fixes to deal with vehicle traders who do not process the payments correctly. Alternatively: I would use the RUC payments infrastructure, which is already in place, for collecting the money from the use of dirty vehicles. This would provide cost savings and the payments would be secure and transparent.

**There are no mass produced cars built in NZ, so Clean Car Discount money goes offshore.** In other countries this subsidy supports local car manufacturers and car factory workers this does not work for New Zealand Businesses and workers. Once the money goes offshore we can't use it ourselves. And we can't change the fact we spent it.

**The most benefit comes to the environment if the clean cars are driven as a replacement of a dirty car.**

So the discount would need to be tied to the clean car actually being driven, this cannot be done on a discount for first purchase. People could buy a clean car not suitable for their needs because they chose the car with the best discount, but then drive their old vehicle because it still suits their needs and is not discentivised.

**The subsidy is not linked to the usage of the vehicles.** Dirty cars are not driven less because of the subsidy, and clean cars are not driven more because of the subsidy.

**The Clean Car Discount does not provide continuous disincentive to use existing dirty cars less.** The most benefit comes if the cars that are driven all-day, every-day are clean cars, eg service vehicles, taxis, delivery drivers, vehicles that drive the top percentiles of kilometres per year.

**The clean car discount hurts New Zealanders for whom there is no clean car** in the class of vehicle that they need for their daily use. Currently there is a lack of vans, utes and budget commuter cars. Large businesses that have replacement of their fleet due periodically, have no alternative but to buy a vehicle and will be punished as a dirty car.

**The end of the current RUC exemption will hurt the early adopters, and active EV proponents.** The people who are cheerleaders for the value of clean cars and thought leaders amongst their peers, and EV use educators. People like me.

I don't think there should be a Clean Car Discount for ultra-efficient petrol vehicles, petrol Hybrid and PHEVs, at best they should be treated neutrally as a somewhat efficient vehicle.

## My alternative method implementation:

You can do the entire administration of the Clean Car Discount by adjusting the RUC on a year, model and vehicle class basis and also by adjusting the RUC component of petrol tax. If RUC is for legal reasons not allowed to be used for this, then make a change to the law or regulation. You would have to make a change to laws or regulations for Clean Car Discount, so this is no hardship.

### Here is how I would implement it:

Currently the RUC for all vehicles less than 3,500kg, is \$7.20 per 100km, \$720/10,000km. In the present, keep the RUC on pure EV vehicles at nothing, but slowly increase it as the EV fleet builds. Make the RUC labels and post them out with an explanation letter, and make the EV owners put new RUC card in their car windscreen every 10,000km. Make the EV drivers display a valid RUC, so they know their vehicle will not be RUC exempt. Build the normality of ordinary RUC.

### When the Clean Car Standard comes into effect:

#### For existing and new Diesel vehicles:

**Add additional cost to the RUC of very dirty vehicles.** Send these vehicle owners a letter so that they know their vehicle is penalised under the scheme, and that this additional RUC cost will increase slowly each year. This will allow them to start to find a replacement vehicle if they drive long distances, but it will not penalise them significantly if they drive minimal kilometres each year. This will provide an incentive to drive dirty vehicles less.

**For the small European style diesels and small utes and vans, such as those vehicles below 1,600kg** (I just chose roughly the lower half of lighter vehicles), **reduce the RUC by about \$2/100km. This will indicate fairness in the system** and will prevent immediate harm to people who have these vehicles and drive them fairly long distances (for their work and rural living, and for city people with long commutes, **these people often chose light diesels for efficiency and low costs**). This will provide an incentive for people to drive lighter efficient vehicles until they are economically written off. This reduces financial harm to existing owners.

For the large heavy diesel vehicles 1600kg to 3500kg increase the RUC about about \$2/100km, or whatever amount makes the government RUC budget balance.

#### For existing and new Electric Vehicles:

Charge existing EVs a small RUC such as \$1/1000km. Or \$100/10,000km. This initially will not harm the early EV adopters. Ramp up the EV RUC slowly over many years.

For PHEV and range extended EVs, all plug-in vehicles which also have petrol engine, they will also need a RUC, they will need to have a partial RUC, dependent on the all electric range that the vehicle has, because the net of their driving has RUC from petrol tax included. Don't double tax them, Make it fair.

RUCs for EVs will gradually adjust to the normal rate (currently 7.20/100km) over time as the diesel and petrol vehicles are retired from the fleet.

**Phase out of diesel vehicles by vehicle weight and type classification.**

There needs to be analysis of the vehicle market, when a new EV comes into the New Zealand market and it is a real alternative to an existing class of diesel vehicle in the national fleet, the RUC of that class of vehicle will be increased on the diesels already in the fleet, and RUC set at low price on the new EV. It is important that we do not increase the RUCs of vehicles with no similar EV alternate.

The current models of diesel vehicles in the New Zealand market are already in the RUC database, the approximate efficiency is already known from the engine size and year of manufacture. When new EVs come into the market, that are EV alternatives for classes of vehicles, each owner can be sent letters explaining the RUC cost structure each time they get additional RUC labels and the list of similar classed EV models can be in the letter.

Diesel vehicles will be pushed out of the fleet by vehicle class as new vans, double cab Utes, small commuter cars come into the market. This will prevent harm to people who bought a new diesel recently from sudden shocking loss of vehicle value, particularly rural business owners and rural families who need to drive long distance and have no transport alternatives.

Example: there are no small flat deck ute/truck EVs in the market at the moment, so the RUC for diesel utes will be held fairly low at the moment, when a flat deck ute weighing 1500kg comes into the market, the RUC for utes, like 1990s and early 2000s single cab Hilux flat deck, will ramp up by about \$100/10,000km, each year, over the next several years. That way people, with their old utes, can see the RUC rising gradually. When the ramp up of RUC is triggered, the owner will be sent a letter that explains the cost increase, so that they have information, so they can budget a new vehicle.

**For existing and new petrol vehicles, and hybrids.**

As the years pass, petrol will slowly increase in price in the global market, due to supply and demand. The government can adjust the tax component of petrol if necessary, to push the use of petrol vehicles out of the fleet in a very gradual way. This will avoid financial harm to people who have somewhat new, fairly efficient petrol vehicles.

**The budget can be balanced by adjusting RUCs each year in the government budget. No money goes off shore as subsidies in my scheme.**

**My scheme is designed to give discounts via lower RUCS, which favours people who buy EVs and drive them the most, because EVs will have their RUC set to make them somewhat cheaper than driving equivalent diesel or petrol vehicles. All EVs in our fleet, even old EVs and vehicles converted to electric will get this advantage until the fleet is predominantly electric. This will maximise emissions reductions. The Clean Car Discount does not do this.**

**In the long term as older fossil fuel vehicles are removed from the fleet the RUCs will be normalised by vehicle weight. Because RUC is primarily for road infrastructure maintenance.**

There will need to be a public information explanation of the scheme.  
Some money needs to be spent on building high capacity charging stations for long distance travel. [end of document]