



**Submission to the New Zealand
Productivity Commission
On
Low-Emissions Economy**

30 October 2017



ONE HUNDRED YEARS OF TRUST

Dear Sir / Madam

Submission: Low-emissions economy

This submission is from:

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Thank you for the opportunity for MTA to provide comment on the Low-emissions economy Issues Paper regarding the views of and its effect on the automotive industry.

Yours sincerely,



Stephanie Gregor
Researcher

Introduction

The Motor Trade Association (Inc) (MTA) was founded in 1917 and this year is celebrating 100 years of trust with the NZ driving community. MTA currently represents approximately 3,700 businesses within the New Zealand automotive industry and its allied services. Members of our Association operate businesses including automotive repairers (both heavy and light vehicle), collision repairers, service stations, vehicle importers and distributors and vehicle sales. In total MTA members employ in excess of 40,000 staff across New Zealand.

Although the Low-emissions Economy Issues Paper does not focus solely on transport, MTA is best positioned to speak to the initiatives related to transport. Specifically we would like to comment on the new and used vehicle market, rather than freight or other elements of the transport system.

Within the new vehicle dealer aspect of our membership, members will sell what their manufacturer supplies. There is little that they can do to stimulate sales of certain vehicles. Used dealers will sell to market demand, which is based primarily on price. Recent statistics show that the number of two-car households in New Zealand is increasing, and that a car purchase is still seen by consumers as a major purchase. Consumers will generally purchase a car for what they identify as their greatest need (whether that be commuting day-by-day or towing the boat to the lake at the weekend) at the lowest reasonable cost. This knowledge of the behaviours of both our members and consumers informs our submission.

We appreciate the opportunity to comment on the Low-emissions Economy Issues paper, and have the following comments to make.

Submission

Question 8: What are the main barriers to the uptake of electric vehicles in New Zealand?

In the Issues Paper the Commission broadly identified the main barriers to uptake. MTA agrees that public perception of difficulties with electric vehicles (such as price, range anxiety) lead to an atmosphere of uncertainty.

As noted above, there is also an element of consumer behaviour in which the purchaser looks at their “least frequent, greatest power” – for example, in cars, this would be the situation of a suburban resident city worker, who travels less than 50km per day round-trip for work for most of the year, but does one or two big holiday trips requiring a trailer or caravan or boat. Consumers could buy smaller vehicles (or EVs) for their most common use (work, around town) and own, rent, or share a second larger vehicle for less frequent use.

It is interesting to note that this change may be on its way, as New Zealand has recently tipped its household car ownership balance towards two cars, not one.

Question 9: What policies would best encourage the uptake of electric vehicles in New Zealand?

Looking overseas, the greatest impact on electric vehicle uptake is from direct financial incentives from government. For example, in Norway electric vehicles have a 22% market share as a result of a comprehensive package of incentives which have been introduced since the early 1990s. These include:

- No purchase/import taxes
- Exemption from 25% VAT on purchase
- Low annual road tax
- No charges on toll roads or ferries
- Free municipal parking
- Access to bus lanes
- 50% reduced company car tax
- Exemption from 25% VAT on leasing

These incentives send the signal that it is economically beneficial to choose zero and low emissions cars over high emission cars. If electric vehicle uptake is to increase substantially, policies need to offer serious incentives to those considering purchasing a new or used vehicle.

However, this increased uptake must be coupled with initiatives to ensure that purchasers have access to energy supply, parts, service, and repair facilities. Upskilling existing automotive technicians, getting access to relevant vehicle information to enable repairs, and ensuring the new breed of automotive technicians are trained appropriately requires support and encouragement from government as well as industry.

Question 10: In addition to encouraging the use of electric vehicles, what are the main opportunities and barriers to reducing emissions in transport?

Opportunities include improvement to public transport, increase in ride-sharing and car-sharing initiatives, as well as alternative passenger services. Ultimately the opportunities come down to encouraging changes in travel behaviour.

New Zealand's geographic composition means that a reliance on electric vehicles is not universally feasible, and New Zealand will also need to look at other avenues for reducing emissions. Light vehicles spend a considerable amount of time being parked, whereas commercial and heavy vehicles spend much more time on the road, and so the electrification of the heavy vehicle fleet may be an avenue for emission reduction. Having said that, when considering the net tonnage of a long-haul truck compared with rail, electrified rail becomes a more attractive option from an emission reduction point of view.

Vehicle scrappage numbers have been largely static despite the increase in the size of the fleet. Consequentially the age of the fleet has slowly increased. Maybe some more work could be done around exiting older higher polluting vehicles from the fleet. Vehicle imports are at an all-time high, both new and used. We are still allowing vehicles that are 20 years or older into the fleet (see Vehicle Exhaust Emission Rule) and this is contributing to our emissions profile.

Question 19: What type of direct regulation would best help New Zealand transition to a low-emissions economy?

MTA has no suggestions as to specific regulations but our guidance would be that any regulations need to be sufficiently clear that they provide certainty to industry regarding timeframes, measures and goals so that businesses can plan to move their business practices where necessary.

Question 22: What type of support for innovation and technology would best help New Zealand transition to a low-emissions economy?

Education is needed. MTA recognises that one of the biggest barriers is a low level of understanding amongst the general public and businesses about what is meant by a low-emissions economy. Funds such as the EECA contestable fund should have provisions for upskilling and training initiatives that will ensure the widest possible reach of the technical knowledge to support broader public education campaigns.

Question 26: What are the main uncertainties affecting New Zealand businesses and households in considering investments relevant to a low-emissions future? What policies and institutions would provide greater confidence for investors?

MTA does not have the resources to undertake substantive economic modelling; however, with 100 years of experience in selling, fuelling, and repairing vehicles, our view is that the current approach to increasing the uptake of electric vehicles does not provide certainty because the incentives are not robust and do not go to consumer concerns (price, range).

There is a lack of connection between high level Kyoto/Paris Agreement goals and those specific actions which are trying to achieve these goals.

Question 35: What measures should exist (and at what scale and duration) to support businesses and households who have limited ability to avoid serious losses as a result of New Zealand's transition to a low-emissions economy?

From the perspective of the automotive industry, government needs to recognise that initiatives to decrease emissions will be partly achieved by a decrease in vehicle fleet and change to the way that fleet is fuelled. This will have an impact on traders who will see a decrease in demand, repairers (both general and collision) as a decrease in vehicles and increase in safety technology reduces maintenance and crash repair requirements and it will affect current network of service stations as consumers move to home or work charging.

With the technological and information age, the rise of "disruption" to industries means that change happens much more quickly than it used to. Government needs to give thought to how it encourages and supports retraining of employees in these industries who no longer have jobs due to reduced demand when the tipping point is reached and disruption causes quick, widespread change.

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