

ORIX New Zealand feedback submission on the Government's Clean Car Discount Proposal

ORIX New Zealand Limited is a leasing and finance provider that has been leasing vehicles to NZ businesses for over 30 years. We have extensive experience in analysing businesses' requirements to create fit for purpose solutions to their transportation needs. This has included advising businesses on how EVs could fit into their fleet and lower their fleets' emissions outputs.

The following submission refers only to the Clean Car Discount as the Clean Car Standard is not an area where we are as experienced.

The biggest concern we see with the Clean Car Discount is the effect it will have on businesses that require load carrying tool of trade vehicles and do not have a viable EV or other low emission alternative to the vehicles they currently use. Examples of this would include tradespeople who need to carry tools and supplies to various jobs, businesses in the construction sector that need to transport pieces of equipment etc. These activities cannot be practically carried out in small-medium passenger EVs such as Nissan Leafs or Teslas.

Currently there are 16 pure EV vehicle models available in NZ (NZ New), of which 14 are passenger vehicles only. There are no EV Utes available. The lack of practical alternatives means that businesses that require light commercial vehicles will be penalised by the Clean Car Discount Proposal as there will be no rebate-earning suitable vehicles.

For Small to Medium Enterprise (SME) businesses these additional penalties added on their tool of trade vehicles, combined with the recent fuel tax increases, will lead to a hike in operational costs that can't be recovered easily. In many cases these businesses are sole traders who work hard and have no ability to spread costs against other revenue streams.

The New Zealand business landscape is significantly different to overseas models that this proposal is based on. Small businesses make up 97% of all enterprises in New Zealand (according to the Ministry of Business, Innovation and Employment 2018*) and they are the ones that will be significantly affected by the penalties the Clean Car Discount would impose.

Our suggestion is to delay the implementation of the scheme on light commercial vehicles (LCV's) until there are viable EV alternatives available. Alternatively, GST registered businesses could be excluded from the penalty structure until a range of viable low emission vehicles are available. As stated in the Clean Car Discount Proposal, 26 percent of vehicles entering the NZ fleet are purchased by businesses. Making businesses exempt from the penalties imposed on LCV's until there are viable options would have a limited impact on the overall scheme. Allowing businesses to still access the discount available in this scheme will allow businesses to experience and implement the infrastructure needed when the LCV alternatives come to market, allowing for faster uptake and acceptance.

While ORIX appreciates the Government's efforts, it seems the Government has failed to adequately consider the impact on businesses and hasn't considered other alternatives that could yield a better result for all parties.

Another suggestion we would like to make - although not touched upon in the Clean Car Discount Proposal - would be to review the fringe benefit tax (FBT) placed on EV's. The current FBT regime assesses the private benefit of a company provided vehicle at the rate of 20% of the vehicle's cost price (this is Cost Price Method most commonly used by employers). When applied to EVs, which are currently around double the purchase price of an equivalent ICE vehicle, this creates a further disincentive to the uptake of EVs. ORIX recommends that the Government considers temporarily applying a lower (than 20%) rate for the calculation of FBT on EVs, until cost prices of EVs reduce.

This should actually be fiscally neutral if the same dollar value of FBT is paid on vehicles whether ICE or EV.

With extensive experience in providing alternative funding options for business vehicles in NZ we welcome any further questions and would be happy to participate in further discussions on the Governments initiatives in this area.

* Ministry of Business, Innovation and Employment

New Zealand's Support for Small Business – May 2018

<https://www.business.govt.nz/assets/Uploads/Documents/Small-business-booklet.pdf>