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Listed below are the most commonly used grounds from the OIA.

| <u>Section</u> | <u>Description of ground</u> |
|----------------|---|
| 6(a) | as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government |
| 6(b) | as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation |
| 6(c) | prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial |
| 9(2)(a) | to protect the privacy of natural persons |
| 9(2)(b)(ii) | to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information |
| 9(2)(ba)(i) | to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public |
| 9(2)(ba)(ii) | to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest |
| 9(2)(f)(ii) | to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility |
| 9(2)(f)(iv) | to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials |
| 9(2)(g)(i) | to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty |
| 9(2)(h) | to maintain legal professional privilege |
| 9(2)(i) | to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities |
| 9(2)(j) | to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) |

22 April 2022

OC220136

Hon Michael Wood
Minister of Transport

Action required by:
Friday, 6 May 2022

THE FINANCIAL ASSISTANCE FOR THE TRIAL OF THE EQUITY-ORIENTED VEHICLE SCRAPPAGE SCHEME

Purpose

To seek your direction on the level and form of the financial assistance for the trial of the equity-oriented vehicle scrappage scheme.

Key points

- The key objective of the scrappage scheme will be to reduce financial pressure on low-income New Zealanders by assisting them in switching to low-emission vehicles, or low-emission alternatives. It will have the secondary objectives of reducing emissions and increasing safety.
- The effectiveness of the scrappage scheme will partly depend on the levels of financial assistance it provides. The assistance needs to be high enough to make quality low-emission vehicles, or alternatives, affordable for low-income New Zealanders. However, it should not be so high that the number of participants is unduly restricted, and the scheme's cost-effectiveness undermined.
- We propose that the assistance levels be set by applying a multiplier to the Clean Car Discount's rebates for new vehicles. This would provide a level of consistency between the Clean Car Discount's rebates for new vehicles that high-income New Zealanders are more likely to be able to take advantage of, and the assistance levels available to low-income New Zealanders through the scrappage scheme.
- A multiplier of 1.4 would allow people who opt to replace their scrapped vehicle with an EV, or low-emission alternatives to receive \$12,075. The purchase of PHEVs and hybrids would attract lower amounts as their fuel use and emissions are higher.
- The budget bid for the scheme assumed that 70 percent of the assistance would be provided as loans. However, loans risk increasing, rather than decreasing, financial stress and vulnerability for low-income New Zealanders. To mitigate this risk, we propose the assistance be provided solely as a grant with no loan component. This would also greatly reduce the complexity and administrative cost of the scheme.

Recommendations

We recommend you:

- | | | |
|---|---|--------|
| 1 | <p>discuss with officials your view of the financial assistance for the trial equity-oriented vehicle scrappage scheme having the following characteristics:</p> <ul style="list-style-type: none">• The assistance rates would be set by applying a multiplier of 1.4 to the Clean Car Discount's rebates for new vehicles. This results in assistance levels of:<ul style="list-style-type: none">○ \$12,075 towards the purchase of an EV or low-emission alternatives○ \$8,050 towards the purchase of the most fuel efficient PHEV○ \$3,941 towards the purchase of the most fuel efficient hybrid.• Replacement vehicles would have to be less than 8-years old with a minimum 3-star safety rating and a retail price cap of \$35,000 to be subsidised through the scheme.• Financial assistance would be provided solely as a grant, rather than as a 30 percent grant and 70 percent loan as proposed in budget bid.• Clean Car Discount rebates would <u>not</u> apply to vehicles subsidised through the trial scheme.• To help reduce the likelihood that any participants' commercial loans would increase financial hardship for, 'participant advisers' would be available to assist with vehicle selection and purchase and to provide budgetary advice. | Yes/No |
| 2 | <p>note European evidence shows that the fuel use and CO2 emissions of plug-in hybrid electric vehicles (PHEVs) are, on average, over 2.5 times those manufacturers claim. As the Clean Car Discount's rebates are set using manufacturer values, the assistance levels for hybrids may be too low relative to PHEVs</p> | |
| 3 | <p>note we will investigate whether the assistance levels for hybrids, relative to PHEVs, should be raised before Ministers are asked to approve the details of the trial scheme in August 2022.</p> | |



Ewan Delany
Manager, Environment, Emissions and
Adaptation

22/4/22

Hon Michael Wood
Minister of Transport

..... / /

Minister's office to complete:

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

Comments

Contacts

| Name | Telephone | First contact |
|---|-----------|---------------|
| Ewan Delany, Manager, Environment, Emissions and Adaptation | s 9(2)(a) | |
| Gayelene Wright, Principal Adviser, Environment, Emissions and Adaptation | s 9(2)(a) | ✓ |
| Ella Sparrow, Adviser, Environment, Emissions, and Adaptation | s 9(2)(a) | |

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TE MANATU WAKA MINISTRY OF TRANSPORT

THE FINANCIAL ASSISTANCE FOR THE TRIAL OF THE EQUITY-ORIENTED VEHICLE SCRAPPAGE SCHEME

We are progressing the design of the trial vehicle scrappage scheme

- 1 Following your direction (OC210442 refers), we are designing a trial of a scrappage scheme targeted to low-income New Zealanders. The key outcome sought will be to help reduce financial pressure on participants by assisting them in replacing a high emission, unsafe vehicle with a safe low-emission vehicle, or low-emission alternatives. It will have the secondary objectives of reducing emissions and increasing safety.
- 2 The equity-oriented scrappage scheme is included in the Transport Chapter of the Emissions Reduction Plan recently agreed by Cabinet. Cabinet has also approved funding to resource the trial and a potential expansion as part of Budget 2022. It is intended that the trial will commence in early 2023 in up to three locations. Any expansion is dependant on the outcomes of the trial.
- 3 This briefing addresses the level and form of the financial assistance that the trial scheme will provide. It builds on our briefing of 28 February 2022 that outlined how the trial scheme could be targeted to low-income New Zealanders (OC210954 refers). For this scheme, low-income is defined as a person earning at or below adult living wage full-time, adjusted for family size and partnership status.

We propose basing the scheme's assistance levels on the Clean Car Discount's rebates for new vehicles

- 4 With the proposed scheme, eligible low-income people who scrap a vehicle would receive financial assistance for the purchase of EVs, PHEVs and hybrids. Eligibly vehicles will include new and used imported vehicles, as well as used vehicles already in New Zealand. Participants would also have the option to use the assistance for low-emission alternatives, such as the purchase of e-bikes and use of public transport.
- 5 As the trial scheme will have a limited amount of funding, the decisions about its levels of financial assistance need to balance:
 - 5.1 providing high enough levels of assistance that participants are incentivised, and can afford to scrap their high-emitting vehicles and replace them with quality low-emission ones, or low-emission alternatives
 - 5.2 maximising the number of eligible people who can participate in the scheme. With a limited amount of funding, as assistance levels rise the number of participants falls to compensate
 - 5.3 achieving value-for-money from the government investment, with the magnitude of the benefits generated by the scheme outweighing the costs.
- 6 To achieve these objectives, we propose basing the level of the assistance on the Clean Car Discount's rebates for new vehicles. This would be done by applying a multiplier, greater than one, to the rebate schedule. To encourage participants to opt for low-emission alternatives, including the purchase of e-bikes or use of public transit, the assistance level for this choice would be set at the same level as for EVs.

- 7 The advantages of this approach are that it would:
- 7.1 result in assistance levels that broadly align with reductions in fuel use and CO₂ emission savings. These factors are central to achieving the outcomes sought by the trial scheme
 - 7.2 encourage people to opt for low-emission alternatives over vehicle replacement with a hybrid or PHEV
 - 7.3 provide a level of consistency between the Clean Car Discount's rebates for new vehicles that high-income New Zealanders are more likely to be able to take advantage of, and the assistance levels available to low-income New Zealanders through the scrappage scheme.

A multiplier of 1.4 would provide \$12,075 for the purchase of EVs, or low-emission alternatives

- 8 Table 1 shows the levels of assistance that would apply with different multipliers applied to the Clean Car Discount's new vehicle rebates.

Table 1

| Example choice | Multiplier and level of financial assistance | | | | |
|--|--|----------|----------|----------|----------|
| | 0 | 1.2 | 1.3 | 1.4 | 1.5 |
| EVs | \$8,625 | \$10,350 | \$11,212 | \$12,075 | \$12,937 |
| Low-emission alternatives eg e-bikes and public transport | \$8,625 | \$10,350 | \$11,212 | \$12,075 | \$12,937 |
| PHEVs | | | | | |
| Mitsubishi Outlander | \$5,750 | \$6,900 | \$7,475 | \$8,050 | \$8,625 |
| Toyota Prius | \$5,750 | \$6,900 | \$7,475 | \$8,050 | \$8,625 |
| Mini Countryman | \$5,580 | \$6,696 | \$7,254 | \$7,812 | \$8,370 |
| Hybrids | | | | | |
| Toyota Aqua | \$2,815 | \$3,378 | \$3,659 | \$3,941 | \$4,222 |
| Toyota Camry | \$2,490 | \$2,988 | \$3,237 | \$3,486 | \$3,735 |
| Kia Sorento 4WD | \$1,360 | \$1,632 | \$1,768 | \$1,904 | \$2,040 |

- 9 We propose a multiplier of 1.4 as it is consistent with the Budget 2022 bid, which assumed a level of assistance of \$12,000 for the purchase of an EV.
- 10 To speed the adoption of low-emission vehicles with improved battery technologies, the trial scheme will require replacement vehicles to be less than 8 years old. Gauging the sufficiency of the proposed levels of assistance in bridging the affordability gap for eligible participants is difficult as vehicle prices vary greatly according to vehicle model, make, condition and mileage.
- 11 Nevertheless, based on Clean Car Discount data, currently the median sales price of a 2015 Nissan Leaf is \$17,340. While, across all Nissan Leafs sold that are less than 8 years old the median sales price is \$23,800 with the average model year being 2017. A multiplier of 1.4 would result in participants needing \$5,265 to complete the purchase of a 2015 Nissan Leaf and \$11,725 for a 2017 one.

- 12 Requiring vehicles to be less than 8 years old is important to minimise the risk of vehicle owners having to replace the batteries in EVs soon after purchase. For example, early model Nissan Leafs (2011–2013) often have significant battery degradation.

We will continue to investigate whether the assistance levels for hybrids should be raised relative to the levels for PHEVs

- 13 Before Ministers are asked to approve the trial, we will investigate whether the relativity in assistance levels between PHEVs and hybrids is appropriate. The issue is that vehicle manufacturer tested fuel use and CO2 emissions are used in setting the Clean Car Discount's rebates. Although there will always be a gap between real-world driving and the manufacturers' values, the gap for PHEVs is especially large¹.
- 14 A European assessment of the real-world performance of 20,000 PHEVs shows their CO2 emissions are, on average, over 2.5 times those manufacturers claim². This result is borne out in a recent Consumer New Zealand comparison of the performance of the Hyundai Ioniq in hybrid, PHEV and EV forms.
- 15 These three vehicles were each driven over a week for around 250 kilometres in a mix of commuting trips and a longer-trip from Lower Hutt to the Wairarapa. The results are in the table below.

| Model | Price | Specs | | | | | | | Weekly running costs | | |
|----------|--------|-------------|--------------------|---------------|----------------------|-----------------|--------------|----------------------|-----------------------|------------------|---------|
| | \$ | Kerb weight | Petrol motor power | Petrol torque | Electric motor power | Electric torque | Battery size | Battery range (WLTP) | Electricity used (\$) | Petrol Used (\$) | Total |
| Hybrid | 47,000 | 1375 kg | 77 kW | 147 Nm | 32 kW | 169 Nm | 1.56 kWh | - | - | 23.27 | \$23.27 |
| PHEV | 54,000 | 1495 kg | 77 kW | 147 Nm | 44.5 kW | 170 Nm | 8.9 kWh | 52 km | 10.49 | 11.09 | \$21.58 |
| Electric | 66,000 | 1527 kg | - | - | 100 kW | 295 Nm | 38.3 kWh | 311 km | 12.39 | - | \$12.39 |

- 16 Based on this comparison, financially the EV or hybrid are preferable to the PHEV. The PHEV's weekly fuel/energy cost was only \$1.69 lower than the hybrids. Applied over a year the PHEV would only save \$87.88 in running costs compared to the hybrid. As it can be assumed that the two vehicles would have very similar servicing costs, it would take 79 years for the PHEV's \$7,000 higher purchase price to be recovered in running cost savings.
- 17 If the comparison is representative of the performance of PHEVs in New Zealand, then the relative assistance levels for hybrids in Table 1 above are likely to be too low.
- 18 At our request, Consumer New Zealand has agreed to repeat their comparison across more vehicles, including popular used ones. We will use the results to inform the assistance rates Ministers would be asked to consider in finalising the details of the trial scheme in August 2022.

¹ <https://theicct.org/wp-content/uploads/2021/12/Plug-in-hybrid-CO2-emissions-white-paper-A4-v3.pdf>

² https://www.transportenvironment.org/wp-content/uploads/2021/07/2020_09_UK_briefing_The_plug-in_hybrid_con.pdf

Providing the majority of the assistance as a loan would likely increase rather than reduce financial pressure for low-income New Zealanders

- 19 The budget bid proposal assumed that participants would receive 30 percent of the assistance as a grant and 70 percent as a loan. Inland Revenue, the Ministry of Social Development, and Treasury have since cautioned against using loans as a form of assistance as this approach risks:
- 19.1 increasing financial stress and vulnerability for low-income New Zealanders. The relatively high-value loan could encourage people to buy vehicles with loans they can not comfortably afford to repay. Coupled with inadequate income the loans risk worsening people's spiral of debt, particularly when inflation is increasing. As debt increases, interest and repayments increase. This reduces the income available to meet living costs and increases future dependence on debt
 - 19.2 reducing uptake of the scrappage scheme as people opt to avoid debt. This would reduce the number of people who would otherwise have benefited from participating
 - 19.3 increasing the administrative complexity and cost of the trial scheme.
- 20 We have estimated the financial decisions a low-income household would face when choosing between participating in the scrappage scheme or replacing their end-of-life vehicle with a near end of life one. This analysis confirms that the above risks are likely to eventuate if the majority of the assistance is provided as a loan. The analysis is summarised in the Annex.
- 21 Providing the assistance solely as a grant would significantly reduce the likelihood of the scheme increasing financial pressure for participants. However, retaining a loan element would have the advantages of:
- 21.1 increasing the scheme's value-for-money as the benefits of fuel savings, emission reductions and improvements in vehicle safety would be achieved at a lower cost to government
 - 21.2 helping to minimise gaming of the scheme, such as, vehicle dealers raising vehicle prices, and participants selling the replacement vehicles to realise the financial value of the grant assistance. It would also reduce the incentive for high-income New Zealanders to attempt to game the scheme.
 - 21.3 likely improving the durability of the scheme, should a decision be made to continue it beyond the trial. A scheme offering generous grants is likely to be perceived as unfair by those who are not eligible to participate. Such a perception could undermine public support for the scheme.
- 22 On balance, we recommend having a 100 percent grant. Grant only assistance makes it very likely that participants will benefit from lower transport costs financially. Following feedback from other agencies, our view is that this certainty outweighs the gains from a loan component.

We have tested the extent to which grant only assistance will benefit participants

- 23 Based on the financial analysis in the Annex, participants will benefit the most from the trial scheme if the assistance is provided solely as a grant. This change from the

budget proposal would make participating in the scheme to purchase an EV more affordable than replacing an end-of-life internal combustion vehicle with a near end-of-life one.

- 24 If people participate and buy a 2015 Nissan Leaf they are likely to make monthly savings even if they require a market loan to complete the purchase. Compared to if they purchased a typical near end of life vehicle, the likely estimated monthly savings would be approximately:
- \$237 if they do not require market financing
 - \$118 if they use market financing with a \$2,000 deposit
 - \$59 if they use market financing and no deposit.
- 25 Taking a market loan, the savings described above combined with the residual value of the vehicle will allow the participant to break even after 5 months. If they contribute a \$2,000 deposit, the combination of savings and residual value place them in an immediate break-even position. This compares to 65 months to achieve break even on a traditional replacement vehicle.
- 26 Our analysis for PHEVs and hybrids, in the Annex, indicates that if participants have enough savings to pay for the balance of the vehicles after scheme support, they will benefit from monthly savings. However, if market loans are required their short-term costs are likely to increase. Many participants are likely to need market loans as the savings needed would be in the order of \$12,000 for a PHEV and \$14,000 for a hybrid.
- 27 Over the medium-term participants buying PHEVs and hybrids will gain from avoiding the more regular cost of replacing an end-of-life vehicle with a near end of life one. The analysis does not include this cost.
- 28 The potential importance of hybrids to ensuring an adequate supply of low-emission vehicles for the scrappage scheme is an additional reason to review the assistance rates for hybrids. The trial will enable us to assess whether the hybrid assistance rates need to be raised beyond maintaining a carbon emission relativity with PHEVs.

Considering potential supply constraints

- 29 The extent to which participants can realise these savings will be affected by the potential for shortages in the supply of quality used-EVs. The Motor Trade Association informed us that they have concerns about the short to medium term availability of these vehicles.
- 30 The risk of supply constraints can be managed through participants opting to buy used hybrids. There is likely to be adequate supply of these vehicles due to the preference for hybrids in Japan.

Changing the assistance to solely grants will mean the Crown foregoes future revenue

- 31 The key impact of providing assistance as grants is the loss of future Crown revenue that would otherwise have been received as loan repayments. Of the \$31.812 million that Cabinet has agreed in Budget 2022 for the trial, we estimate the loss would be up to a maximum of \$17.71 million. This would have been repaid from 2022/23 to 2027/28.

- 32 If the trial were to be expanded with funding of \$536.95 million, then potentially up to a maximum of \$356.16 million would be foregone. This would have been repaid from 2024/25 to 2029/30.
- 33 The impact on the number of low-income people who could participate would be trivial. This is because Crown funding has to be appropriated to provide the assistance irrespective of whether it is allocated as grants or as a mix of grants and loans.
- 34 The other potential impact is on any future funding of the scheme. If Ministers want the scheme to continue beyond 2025/26, new Crown funding would be needed. Such funding could be easier to secure if it includes loan repayments. This is because conceptually the repayments could be seen as a revenue source for continuing the scheme.

Further mitigations would help protect the scheme from abuse

- 35 Alongside rebalancing to a solely grant scheme, we propose two further mitigations to ensure the trial successfully assists low-income New Zealanders reduce their transport costs.

The scheme could have 'participant advisers' to help match people with a choice of vehicles they can afford

- 36 'Participant advisers' could be employed by the scheme administrator. These people would maintain an overview of low-emission vehicles on the market and their prices. They would use this information to help mitigate the risk of the scheme placing participants in a worse financial situation than their status quo by, if participants desire, helping them:
- 36.1 decide if this programme is financially advantageous to them,
 - 36.2 select and purchase the most affordable replacement vehicles, or low-emission alternatives, considering their individual financial circumstances.
 - 36.3 choose a reputable lender, where commercial vehicle loans are required. They could also provide budgetary advice on how participants could best manage the loan repayments.
- 37 'Participant advisers' would also play a role in minimising the risk that vehicle dealers raise the retail prices of vehicles subsidised through the scheme. Based on discussions with Californian vehicle dealers operating within the Clean Cars For All scheme, the likelihood of this practice occurring is very high. One dealer described it as a "win for the dealer and the participant because it is free money anyway".
- 38 Where dealers appear to raise their prices above market levels, the 'participant advisers' would assist participants negotiate prices down or redirect them to competing dealers.

Support would be limited to vehicles with a value of up to \$35,000

- 39 The second mitigation would be to place a cap on the retail price of replacement vehicles. This could be set at \$35,000. This amount is sufficient to ensure quality low-mileage low-emission vehicles could be purchased.

- 40 The disadvantage of a cap of \$35,000 is that it largely removes new medium to large sized vehicles from the scheme. However, it is sufficient for the purchase of smaller hybrids like the Honda Jazz HEV, the Toyota Yaris and the entry level Toyota Corolla.
- 41 There is also the potential that the Chinese electric car manufacturer BYD will launch the Atto1 (previously the Dolphin) in New Zealand as soon as December 2022. Pricing is yet to be confirmed but it is a budget hatchback that would likely be priced under \$35,000.

People would not be able to access the scheme's assistance plus the Clean Car Discount

- 42 A further mitigation that you could consider would be to allow people who opt for a replacement vehicle to claim a Clean Car Discount rebate. This would further enhance the attractiveness of EVs and encourage younger than 2015 models to be purchased.
- 43 However, we do not favour this option because it:
- 43.1 could reduce rather than expand the number of people supported to buy low-emission vehicles. The Clean Car Discount has a limited amount of funding. Preventing double-dipping ensures the funding, from both schemes, would be spread over a greater number of people
 - 43.2 would further distort the vehicle market by favouring the purchase of newly imported used low-emission vehicles over second-hand vehicles that were first sold new in New Zealand. This would happen because rebates only apply to vehicles sold for the first time in New Zealand
 - 43.3 risks undermining the social license for the Clean Car Discount. The Discount operates with an implicit "off-setting contract" between fee-payers and rebate receivers. People who, for whatever reason, buy a high emission vehicle pay a fee to lower vehicle prices for those who are willing to purchase a low-emission vehicle. This contract would arguably be broken if fees are seen to be subsidising vehicles that had already been subsidised with Crown funding.
- 44 A Cabinet decision will be needed to ensure Clean Car Discount rebates do not apply to vehicles subsidised through the trial scheme. This is because rebates are required to be applied to all vehicles sold for the first time in New Zealand. Cabinet's decision would then be reflected in an amended Ministerial Direction to Waka Kotahi.

Next steps


- 45 Following your direction on the recommendations in this briefing, the next key steps in designing and implementing the trial scheme are outlined in the table below.
- 46 Alongside this timeline, you have asked for advice on what could be delivered in the short term after the scrappage scheme is announced on Budget Day. We will address this in a subsequent briefing.


| Key milestone | Timeframe |
|--|------------------------------|
| Advice on what can be delivered in the short-term following Budget Day | 4 May 2022 |
| <p>Advice on the proposed process for scrapping a vehicle and securing a replacement, or low-emission alternatives. This includes:</p> <ul style="list-style-type: none"> • the criteria for eligible vehicles • how the process could be streamlined for participants • the expectations of vehicle dealers and scrappage partners involved in the scheme • processes to reduce fraudulent use of the scheme • location(s) of the trial • the agency that will be the Scheme Administrator • how an alternative option to vehicle purchase could be given effect, including its potential scope. | By 30 June 2022 |
| Briefing on the design of the scheme's evaluation | By 31 July 2022 |
| Report to the Cabinet Economic Development Committee seeking approval of the design of the trial scheme and its commencement. | By 30 September 2022 |
| Scheme Administrator implements and establishes trial with its delivery partners in the vehicle and scrappage industries, and providers of low-emission alternatives | October 2022 – February 2023 |
| Trial scheme in operation | By March 2023 |

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ANNEX - Choices facing eligible participants

Choice 1 – Participate in scheme scrapping a 2001 Toyota Corolla replacing it with a 2015 Nissan Leaf (EV) for \$17,433 with support of \$12,075 OR buy a 2003 Toyota Corolla for \$4,425

 Cost is lower/break even point earlier

 Cost is higher/ break even point later

| | Retired vehicle | Don't participate | | Participate in scrappage scheme and buy a 2015 Nissan Leaf EV | | | | | |
|--|-----------------------------|-------------------------|---|---|----------------------------------|-----------------------------|---|----------------------------------|-----------------------------|
| | 2001 Toyota Corolla | Buy 2003 Corolla | | 100% Grant | | | 30% Grant 70% Loan | | |
| | Estimated scrap value \$690 | Pay \$4,425 for vehicle | Market loan ³ with \$690 deposit | Pay \$5,358 difference between support and purchase price | Market loan with \$2,000 deposit | Market loan with no deposit | Pay \$5,358 difference between support and purchase price | Market loan with \$2,000 deposit | Market loan with no deposit |
| Monthly motoring costs (fuel, insurance, WOF, rego, maintenance ⁴) | \$431 | \$373 | | \$194 | | | \$194 | | |
| Monthly loan repayments (scheme loan and market loan) | | Nil | \$129 | Nil | \$118 | \$177 | \$141 | \$259 | \$318 |
| Total monthly costs | | \$373 | \$502 | \$194 | \$312 | \$371 | \$335 | \$453 | \$512 |
| Net difference in monthly costs (motor cost saving compared to retired vehicle less loan cost) | | \$58 | -\$71 | \$237 | \$118 | \$59 | \$96 | -\$22 | -\$81 |
| Value of vehicle after 5 years | | \$2,449 | | \$9,758 | | | \$9,758 | | |
| Months to break-even on loans based on cost savings | | | 65 | 0 | 0 | 5 | 0 | 18 | 30 |

The break even point is calculated as (Total cost of loan – Value of vehicle after 5 years)/ Savings in motoring costs

³ The loan costs are based on the terms and conditions offered by TradeMe Motor's finance partner MTF finance. The term is 4 years with an 18% interest rate, \$376 set up fee and \$8.50 monthly service fee.

⁴ Petrol costs assume driving of 14,000 kms at 2.93/litre. EV charging costs are \$3.00/100km. Insurance and maintenance are AA estimates.

Choice 2– Participate in scheme scrapping a 2001 Toyota Corolla replacing it with a 2015 Toyota Aqua/Prius PHEV for \$20,617 with support of \$8,050 OR buy a 2003 Toyota Corolla for \$4,425


Cost is lower/break even point earlier


Cost is higher/ break even point later

| | Retired vehicle | Don't participate | | Participate in scrappage scheme and buy a 2015 Prius PHEV | | | | | |
|--|-----------------------------|-------------------------|--------------------------------|--|----------------------------------|-----------------------------|--|----------------------------------|-----------------------------|
| | 2001 Toyota Corolla | Buy 2003 Corolla | | 100% Grant | | | 30% Grant 70% Loan | | |
| | Estimated scrap value \$690 | Pay \$4,425 for vehicle | Market loan with \$690 deposit | Pay \$12,567 difference between support and purchase price | Market loan with \$2,000 deposit | Market loan with no deposit | Pay \$12,567 difference between support and purchase price | Market loan with \$2,000 deposit | Market loan with no deposit |
| Monthly motoring costs (fuel, insurance, WOF, rego, maintenance) | \$431 | \$373 | | \$230 | | | \$230 | | |
| Monthly loan repayments (scheme loan and market loan) | | Nil | \$129 | Nil | \$330 | \$389 | \$94 | \$424 | \$483 |
| Total monthly costs | | \$373 | \$502 | \$230 | \$560 | \$619 | \$324 | \$654 | \$713 |
| Net difference in monthly costs (motor cost saving compared to retired vehicle less loan cost) | | \$58 | -\$71 | \$200 | -\$130 | -\$188 | \$107 | -\$223 | -\$282 |
| Value of vehicle after 5 years | | \$2,449 | | \$14,382 | | | \$14,382 | | |
| Months to break-even on loans based on cost savings | | | 65 | 0 | 15 | 29 | 0 | 35 | 49 |

The break even point is calculated as (Total cost of loan – Value of vehicle after 5 years)/ Savings in motoring costs

Choice 3– Participate in scheme scrapping a 2001 Toyota Corolla replacing it with a 2015 Toyota Aqua/Prius hybrid for \$18,517 with support of \$3941 OR buy a 2003 Toyota Corolla for \$4,425

 Cost is lower/break even point earlier

 Cost is higher/ break even point later

| | Retired vehicle | Don't participate | | Participate in scrappage scheme and buy a 2015 Prius/Aqua hybrid | | | | | |
|--|-----------------------------|-------------------------|--------------------------------|--|----------------------------------|-----------------------------|--|----------------------------------|-----------------------------|
| | 2001 Toyota Corolla | Buy 2003 Corolla | | 100% Grant | | | 30% Grant 70% Loan | | |
| | Estimated scrap value \$690 | Pay \$4,425 for vehicle | Market loan with \$690 deposit | Pay \$14,576 difference between support and purchase price | Market loan with \$2,000 deposit | Market loan with no deposit | Pay \$14,576 difference between support and purchase price | Market loan with \$2,000 deposit | Market loan with no deposit |
| Monthly motoring costs (fuel, insurance, WOF, rego, maintenance) | \$431 | \$373 | | \$267 | | | \$267 | | |
| Monthly loan repayments (scheme loan and market loan) | | Nil | \$129 | Nil | \$389 | \$448 | \$46 | \$435 | \$494 |
| Total monthly costs | | \$373 | \$502 | \$267 | \$656 | \$714 | \$313 | \$702 | \$761 |
| Net difference in monthly costs (motor cost saving compared to retired vehicle less loan cost) | | \$58 | -\$71 | \$164 | -\$225 | -\$284 | \$118 | -\$271 | -\$330 |
| Value of vehicle after 5 years | | \$2,449 | | \$11,372 | | | \$11,372 | | |
| Months to break-even on loans based on cost savings | | | 65 | 0 | 35 | 53 | 0 | 69 | 79 |

The break even point is calculated as: (Total cost of loan – Value of vehicle after 5 years)/ Savings in motoring costs