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INFINITI
EMPOWER THE DRIVE

RENAULT
Passion for life

Ministry of Transport
HON JULIE ANNE GENTER
PO Box 3175
WELLINGTON 6140

Dear Minister

This submission is from Global Motors NZ Limited, the New Zealand importer and distributor for Renault and Infiniti vehicles. We are a 100% New Zealand owned and operated company. Our future is electric, Infiniti is going electric from 2021 and Renault has an exciting range of electric vehicles (EVs)/hybrids planned. Renault has been selling EVs in New Zealand since 2016 (including to Air New Zealand).

Groupe Renault is part of an automotive Alliance between Renault, Nissan and Mitsubishi. Collectively the Group is one of the largest EV suppliers in the world. Groupe Renault have been reducing its CO2 emissions on an annual basis since 2010. In 2017, Groupe Renault voluntarily committed to a 25% reduction by 2022, the first automaker to publically set such a target.

We endorse the Clean Car Discount scheme. We believe the Clean Car Standard could be calamitous.

We are conscious of our position in making this submission. We sell fossil fuel burning vehicles. It might follow that we would prefer delay and compromise. That is not so. We adamantly believe that eliminating carbon emissions from transport is a priority of the most urgent importance. We are equally impatient for change but realistic about how quickly the supply chain will meet the market demand.

But it cannot be done any faster than as fast as possible. We would prefer to be supporting any initiative to reduce carbon emissions, but what we see here is one good policy and one colossally bad one.

We believe the Clean Car Discount will achieve its objective (subject to used cars being treated as used, and not new, if they are less than 3 years old). We emphatically believe the Clean Car Standard will not, and will quite possibly bring with it a litany of unintended consequences.

It may be helpful to describe the delicate balance that is being walked at the moment.

Everyone in the business of making and selling vehicles believes that the future is not fossil fuel. The future is clear. It is the medium term that is full of imponderables, as the car industry goes through the most fundamental and transformational change it has ever seen.

The business case for EVs is problematic – high cost, high price, low margin. It will remain low until mass production pulls down the price of components, especially batteries. There is therefore great financial risk in manufacturing ahead of demand.

If margins were more forgiving, it might be possible to ramp up manufacturing more heroically. But there is presently no latitude for that. It is necessary to go gradually, working in step with buyer demand as it lifts. Another way to put this is: it takes more than the automakers to achieve the necessary transformation. EVs are new, technologically uncertain, economies of scale are yet to be seen.

The manner by which this momentum has begun has been the same in every current EV market: governments have given signals of encouragement through price incentives, and consumers have begun to move towards EVs. The growth has started, but not near mature, and from a low base.

Presently those manufacturers look for any signals of encouragement from the government here in New Zealand and see none. The clean car discount will signal that New Zealand is committed to low emission cars. With that signal, we can expect momentum to lift, subject to extracting enough supply from the heavy weight markets in Asia and Europe.

We support the clean car discount. It is our opinion that the following changes are required to improve its effectiveness:

- Remove the current feebate cut-off point of $80k as this materially affects the viability of light commercial electric vehicles
- Purchase price is the price that the vehicle is sold for (after discounts).
- New is new – feebate should be split according to whether the vehicle is new to New Zealand or not – 2 ½ year old used car is a used car.

We do not support the clean car standard

We see deficiencies in many respects:

1) It misapprehends the availability of vehicles.
No manufacturer makes vehicles unique to the New Zealand market. It is difficult to source a vehicle quickly from overseas, given the testing, verification and homologation that is required. For some distributors they will need to wait for a model change or major facelift

2) It is complicated and uncertain.
Demand will bring the supply, supply won't bring the demand. The CCS seems to focused on ramping up supply – this is largely out of our hands – and indications are Europe will dominate world wide demand for some time, leaving crumbs for our market. Complication inevitably brings unforeseen loopholes. Uncertainty of cost brings uncertainty to businesses and livelihoods. The pricing is inevitably a guesstimate. Calculated too severely, it will put people like us out of business.

3) It will be vulnerable to gaming.
This will undermine the market and strengthen it for the worst importers. Under this scheme, an operator could avoid making any payment to the scheme by running an import business for 11 months and 29 days, shut down and reopen. It is a solid certainty, given the ease with which operators come and go from the market, that this will happen. Also, there is the ability for double dipping with vehicles receiving a rebate from their initial country of registration and then a second one when imported into New Zealand. A new car is a new car, it's not something that is up to 3 years old. If it's not new, it's used.

4) It will cause harm.
Any initiative that potentially favours used imports over new vehicles, as this does, has the unavoidable consequence of keeping older, less safe vehicles on the road, with the statistical inevitability of avoidable deaths. The business case for our locally owned operation is threatened.

5) It won't necessarily achieve the intended result.
By confusing low emission and good fuel economy, this scheme potentially encourages buyers to choose the wrong vehicle. There is the potential for this scheme to eliminate small vehicles as the cost of compliance reduces the price differential between small and medium/large vehicles. We believe this scheme will only have a minimal impact on reducing CO2 emissions.

6) It's a tax.
It's a tax on the industry and will weaken your biggest support. The potential downside could see business like ours shutting up shop.

No other country has attempted to introduce these two measures at the same time. In all other jurisdictions the approach has been to take these steps sequentially. That is to say: you create demand for emission free vehicles, you ramp up supply and then you take measures to discourage carbon emissions. Having made it possible for greater number of EVs to be produced and sold into the market, you then implement a penalty regime to drive down the numbers of ICE vehicles. But there is no point in punishing consumers and suppliers before the alternative supply is available.

It is, however, possible, while we wait for demand and supply to rise, to encourage people to use a better suited ICE vehicle for their purpose. It's clear that something's not right when accounting firms are driving utes. If FBT rules as they exist were properly enforced there would be far fewer high-emission utes on our roads. There is nothing wrong with a carrot and stick approach, but in this case, only the carrot will do what it's supposed to. The stick in this scenario is more likely to take out large numbers of people including, possibly the one who threw it.

S. Waller

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On behalf of Global Motors NZ Limited