

9th September 2019

Ateco Submission on moving the light vehicle fleet to low emissions: discussion paper on a Clean Car Standard and Clean Car Discount.

Ateco is the New Zealand new vehicle importer and distributor for the following Fiat Chrysler Automobiles (FCA) brands:

- Jeep
- Ram
- Alfa Romeo
- Maserati
- Fiat
- Fiat Professional
- Abarth
- Chrysler
- Dodge

Privately owned by Neville Crichton, a Companion of the New Zealand Order of Merit, Ateco was created in 2000 and currently has over 30 dedicated staff based in offices and warehouse facilities in Mt Wellington, Auckland. The brands we represent are retailed & supported through a national network of 30 dealers, giving us full coverage across New Zealand.

Fiat Chrysler Automobiles (FCA) designs, engineers, manufactures and sells vehicles and related parts, services and production systems worldwide. The Group operates 102 manufacturing facilities and 46 R&D centers; and it sells in more than 135 countries.

Ateco welcomes discussions on policies that will lead to an achievable and sustained reduction in CO2 emissions from vehicles as they enter the fleet, and that are already part of the fleet. As part of the Motor Industry Association (MIA), we will work constructively with the Government on what we believe are the best mix of policies to achieve that outcome.

Reducing emissions from transport is supported by Ateco in conjunction with the industry. To do more than is possible under a business as usual scenario will require the Government to leverage its policies to incentivise a faster rate of change, and in the short term this will negatively affect both our business, and pricing to the customer.

The proposed policies are significant. Their potential to constructively impact the choice of vehicles consumers purchase is significant. Conversely, their potential to severely distort the market if poorly constructed is also significant.

The New Zealand car industry is demand driven meaning that distributors source vehicles based upon what customers want. New Zealanders pursue lifestyle choices based on where they live (SUVs and towing for ease of use). Simply changing what cars are on offer without bringing the consumers requirements into account may not drive the government desired change.

Overall our view is that the clean car discount is workable and is supported but with a series of changes promoted to enhance its effectiveness.

However, we believe the clean car standard is seriously flawed. Ateco supports the MIA position that encourages the Government to establish an industry/Government working group to design a fuel economy standard that is fit for purpose for NZ, which agrees a road map on its design and implementation, but over a timeframe that is both timeframe & fiscally sustainable.

The proposal, as currently outlined, does not give Ateco either the timeframe or pathway to meet the stepped reduction in CO2 emissions, leading to significant price increases in our products, and, if the marketplace will not accept those increases, severe financial risk to our business.

Ateco agrees with the MIA's comments re the rate of CO2 reduction averaging around 1.9% year on year ignoring from light commercial vehicles.

Ateco's average CO2 emission based upon YTD sales in 2019 is 232 g/km.

Improvements in emissions and fuel economy are generally borne from 2 changes, either a new model launch or an engine change/improvement. An example of this is the Jeep Grand Cherokee Overland 3.0L Diesel which had CO2 levels of 267 g/km in 2006. This was reduced to 216 g/km in 2011 with the introduction of a new model. This was further improved down to 182 g/km in 2016 as the vehicle moved to Euro5 emissions. The current new model that was launched in 2011 is not due to be replaced until 2022. This length of material product life cycle of 10 years is representative of the FCA product.

FCA will investigate what vehicles could be made available for New Zealand once the working group discussions have been completed; and both extended time frames and less severe targets have been finalised. This is not as simple as it may seem because:

- All vehicles in NZ are imported, none are made here. The technology developed in new vehicles is designed to meet overseas standards and requirements which is reflected in the way transport legislation and Rules are constructed. We recognise standards for Australia, Europe, Japan and North America. NZ is a technology taker not a technology leader.
- Some products/engine configurations are currently only available in left hand drive, not right.
- Some products require higher specification levels of fuel than we currently enjoy in here in New Zealand to ensure that the product will run properly. Both aromatic levels and RON.
- Decisions of this nature need to make economic sense for FCA as we are a small volume player. It is rare for FCA to consider a product for the New Zealand market that is not valid for the Australian market. In some instances, therefore, this means that the cars need to be reengineered to be ADR compliant. Currently, CO2 emissions appear to be a more high-profile topic in New Zealand than they are in Australia.

- FCA is currently focussed on the emissions targets in some parts of the USA, China, Europe and Latin America, so having cars made available for New Zealand is less of a priority until sometime as when legislation is set.
- Our market is too small for New Zealand to set unique vehicle standards.
- Any standards that are set in New Zealand must be aligned to global emissions initiatives to allow economies of scale for FCA and allow Ateco to leverage the global FCA strategy to meet the New Zealand requirements.
- As referenced in a Recent Climate Change document prepared for the G7 Summit in France (see Appendix 1), FCA have been making significant progress in developing the next level of eco-friendly technology. The expansion of electrified models and commitment to fuel economy and reduce emissions is an integral part of FCAs business plan which anticipates 12 electrified or hybrid propulsion systems spanning the full range of vehicle segments.
- These plans were also shared by the FCA CEO in June 2018 and are summarised in Appendices 2 through 5.
- However, the availability for these solutions outlined in the FCA business plan to be relevant to New Zealand may be limited, as stated above.
- The Clean Car Standard as proposed in the discussion document is unworkable in its entirety. Ateco does not support the Clean Car Standard as proposed because:
 - The timeline is too short, it needs to be extended to cover at least two new vehicle model cycles.
 - The rate of target achievement is far too ambitious, and unachievable for Ateco with the short- & medium-term product plans in the global FCA strategy.
 - The targets as prescribed will result in penalties translating to a significant tax on Ateco new vehicles.
 - The proposed weight bandings are manifestly unfair. Unless you are selling only EVs to attract credits, all new vehicles will incur a tax on the RRP to offset the penalties, in the case of Jeep Grand Cherokee, the CO2 tax based upon the proposed standards would mean the car is sold to consumers at a much higher transaction price than is the case today.
 - The penalty rate is too high and too severe. It should start low and ramp up over at least double the timeframe proposed.
 - The penalty should be the same for both the new and used vehicle sector (whereas the discount should not).
 - The standard as proposed does not treat new and used vehicles the same, it perversely incentivises fewer new cleaner cars and incentivises older dirty cars.

In support of the MIA position, Ateco urges the Government to develop a comprehensive policy mix on reducing GHG emissions from transport which covers at least the following:

- In fleet incentivisation targeted at current vehicle owners to encourage them to move to both the safest and cleanest vehicles within their budget. Effective change must come from the entire light fleet, not just vehicles entering it. We acknowledge the current Government has decided to not pursue policies relating to vehicles in the fleet. We believe this wrong.
- Continual improvement to fuel quality. To ensure we can tap into the cleanest vehicles from an exhaust emissions profile we need Euro 6.2 emission standards. Many of the hybrids and PHEVs require Euro 6.2. The issue is the level of aromatics in our fuel. It is too high.
- There are no policies that make it easy for people to scrap vehicles. There is a bulging age profile in our fleet that needs access to coordinated scrappage facilities.
- Our charging network, while being developed by the private sector, needs significant upgrades at the retail level to ensure those purchasing EVs can charge them. Overseas jurisdictions have a more coordinated approach than NZ.
- We strongly recommend that in addition to the standards-based approach for importation of used vehicles, an age limit is set so that vehicles must meet standards and be younger than eight years of age from the date of first registration anywhere in the world.
- Better use of tax incentives to drive change, which is likely to be less distortive to new-to-used, passenger-to-commercial, importer-to-importer differences.

Regarding alternate / emerging technologies such as low emissions ICE; mild hybrid, full hybrid; PHEV and full battery vehicles, it must be understood that these do not come at the same cost as current product ranges. These will be more expensive to the consumers at a significant premium over current product in the marketplace today.

Ateco look forward to the Government developing with the MIA a working group to create a New Zealand deliverable that is in line with the already activated global automotive effort in this area.

Appendix 1 – FCA discussed in a document prepared for the G7 Summit, Biarritz, France, August'19



<http://publications.climatechange-theneweconomy.com/G72019/1-1>

ELECTRIFYING JEEP® AND BUILDING VALUE

FIAT CHRYSLER AUTOMOBILES (FCA)



Pictured: Jeep,
Renegade PHEV

**"OVER THE LAST 10 YEARS JEEP
HAS GROWN FROM AROUND 19,000
IN 2009 TO 170,000 UNITS SOLD IN
2018, IN EUROPE"**

After setting a new global sales record in 2018, the Jeep brand welcomed 2019 as the year of an evolution that remains true to the core values at the heart of the brand.

Built on more than 75 years of legendary heritage, Jeep is the authentic Sports Utility Vehicle (SUV) with class-leading capability, craftsmanship and versatility for people who seek extraordinary journeys. The Jeep brand delivers an open invitation to live life to the fullest by offering an exhaustive line of vehicles to handle any journey with confidence.

The legend began in 1941 with the first 4x4 vehicle by Willys-Overland followed in 1946 with the Willys Wagon and the introduction of the SUV.

On the back of record global sales in 2018, Jeep has become the fastest growing brand in Europe over the last 10 years, and will also be one of the leading characters in the new technological scenario.

Now the Jeep brand is making a significant evolutionary step toward respecting the environment and taking the capability to the next level eco-friendly technology, by making electrification options available across all nameplates by 2021.

Commitment to electrification extends beyond the Jeep brand at FCA, the global automaker that designs, engineers, manufactures and sells vehicles in a portfolio of exciting brands, including Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia, Ram and Maserati.

The expansion of electrified models and commitment to improve fuel economy and reduce emissions is an integral part of the FCA's business plan.

The business plan anticipates 12 electrified propulsion systems (battery electric, plug-in hybrid electric, full hybrid and mild hybrid) in global architectures spanning the full range of vehicle segments. Specific applications will align with each of FCA's brand attributes. These vehicles will join the Chrysler Pacifica Hybrid, the industry's first electrified minivan, which started the production in late 2016, and the mild hybrid versions of the all-new 2018 Jeep Wrangler in the US, and all-new 2019 Ram 1500.

<http://publications.climatechange-theneweconomy.com/G72019/98-1>

100 | TRANSPORT AND MOBILITY



“THE EXPANSION OF ELECTRIFIED MODELS AND COMMITMENT TO IMPROVE FUEL ECONOMY AND REDUCE EMISSIONS IS AN INTEGRAL PART OF THE FCA'S BUSINESS PLAN”

Pictured above & below:
The quiet and powerful
Jeep, Renegade PHEV



MELFI PLANT IN ITALY: PRODUCING INNOVATION

The new Jeep, Renegade and Compass PHEV models are the first of a new generation of vehicles, designed for a new generation of drivers, and will be produced at the Melfi plant (Italy).

FCA's ability to deliver innovative vehicles is strictly linked to the way they are produced. Continuous improvements in operational efficiency and the design of sustainable processes are key elements of FCA production facilities around the world. As one of the largest and most advanced FCA assembly plants in Italy, the Melfi plant is an example of innovative and sustainable production, with a focus on managing energy, CO₂, water and waste, including:

- Zero electricity purchased from external sources. The electricity and heat needed to run the facilities are provided by a trigeneration plant that generates electricity, heat, and refrigerated water simultaneously – using natural gas as the sole input – to feed the conditioning and cooling systems of the industrial equipment. This system is so efficient that it results in a significant reduction in the environmental impact.
- Zero CO₂ emissions for both indoor and outdoor lighting in the offices. The energy comes directly from renewable sources through the use of small-scale wind turbines and photovoltaic systems.
- 100 per cent water reuse, through optimizing recirculation at the spraying stations used to paint vehicles. Improvements have also been made to systematically monitor drinking water, to eliminate leaks and other waste, and to reduce water consumption.
- Zero waste sent to landfills. All industrial waste is recovered or recycled, enabling the plant to reach the goal of eliminating all industrial waste sent to landfills.
- The integrated supplier park. The park provides many benefits, including the optimization of logistics and reduction of the environmental impact, synergies in cost and production times.

“CONTINUOUS IMPROVEMENTS IN OPERATIONAL EFFICIENCY AND THE DESIGN OF SUSTAINABLE PROCESSES ARE KEY ELEMENTS OF FCA PRODUCTION FACILITIES AROUND THE WORLD”



NEW RENEGADE AND COMPASS PHEV: GREATER POWER AND RANGE

The new Jeep, Renegade and Compass Plug-In Hybrid Vehicle (PHEV) models, presented during the 2019 Geneva International Motor Show, represent a whole new chapter in the Jeep history. The models equipped with batteries rechargeable from an external power outlet, can store more electric energy. This allows for the use of more powerful electric motors, which translate into a pure electric range of approximately 50 kilometres and about 130 km/h full electric top speed for both Renegade and Compass.

The electric units work in synergy with the new 1.3-litre turbo petrol engine to increase efficiency and power overall. Due to the responsiveness and fluid acceleration of the PHEV versions, the traditional capabilities of the Compass and Renegade are further enhanced making them even more enjoyable to drive with a maximum power reaching up to 240 hp. Above all, they are quiet and environmentally friendly.



opportunities for joint product development, and employment opportunities for the local community.

The Melfi plant, already one of the Group's most advanced assembly plants, is in a further phase of upgrade, in order to create the right conditions and environment for this new era of innovation.

FCA has transformed the rapid change in technology into a business model that connects our plants, our suppliers and our dealers, up to the final customer.

While being loyal to its mindset of overcoming any limit, the Jeep brand continues to evolve, to develop and to bring its SUVs to the next level in line with its core values of freedom, authenticity and passion. Today, the brand is embracing a new challenge and setting new standards.

Behind the wheel of new Jeep, Renegade and Jeep, Compass featuring PHEV technology, driving fun becomes efficient and, for the first time, it will be possible to tackle the most extreme off-road trails, while listening to the sounds of nature. ■



ABOUT FIAT CHRYSLER AUTOMOBILES (FCA)

FCA is a global automaker that designs, engineers, manufactures and sells vehicles in a portfolio of exciting brands, including Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia, Ram and Maserati. It also sells parts and services under the Mopar name and operates in the components and production systems sectors under the Comau and Teksid brands.

For more information about FCA, visit
www.fcagroup.com

<http://publications.climatechange-theneweconomy.com/G72019/100-1>

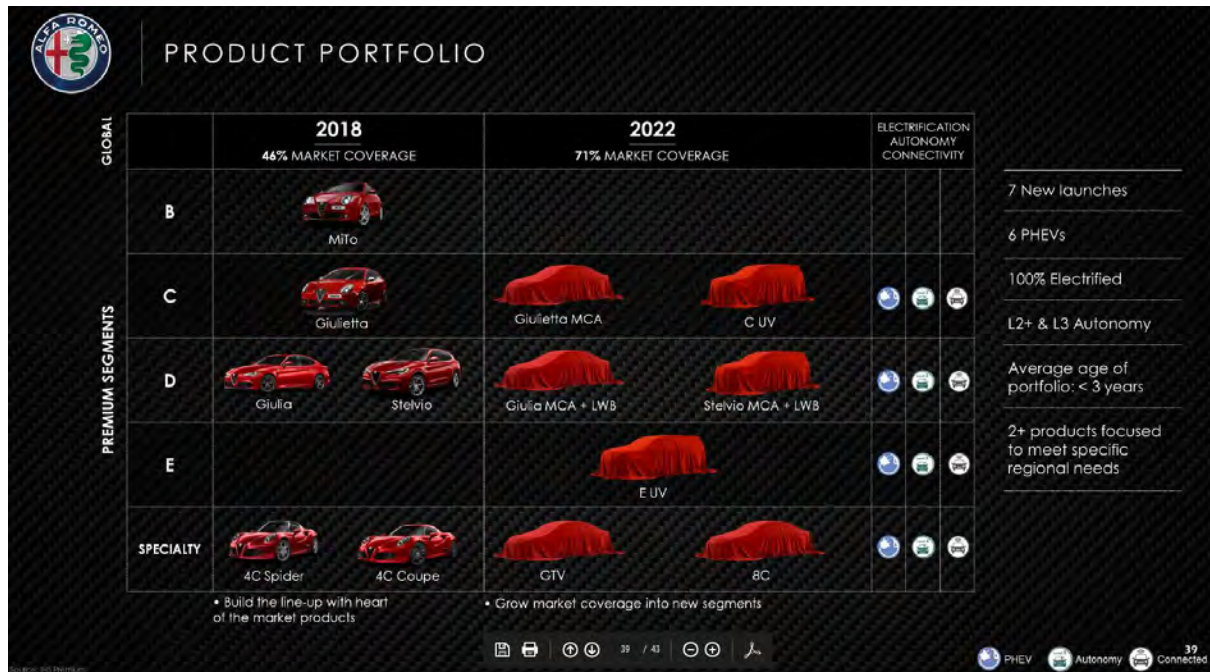
Appendix 2 – FCA's Global Jeep Product Plan



[https://www.fcagroup.com/capitalmarketsday/Presentations/FCA%20June%201%202018%20CMD Jeep%20Brand.pdf](https://www.fcagroup.com/capitalmarketsday/Presentations/FCA%20June%201%202018%20CMD%20Jeep%20Brand.pdf)

https://www.fcagroup.com/en-US/investors/Pages/capital_markets_day_2018.aspx



Appendix 3 – FCA's Global Alfa Romeo Product Plan



<https://www.fcagroup.com/capitalmarketsday/Presentations/FCA%20June%201%202018%20CMDAlfa%20Romeo%20Brand.pdf>

https://www.fcagroup.com/en-US/investors/Pages/capital_markets_day_2018.aspx

Appendix 4 – FCA's Global Ram Product Plan

SEGMENTS	PRODUCT PLAN					
	2018	2022	ELECTRIFICATION	AUTONOMY	CONNECTIVITY	TELEMATICS
LIGHT DUTY	 ALL NEW 1500	 NEW TRX	 HEV	 L2 2021	 100%	 100%
HEAVY DUTY	 HEAVY DUTY	 ALL-NEW HEAVY DUTY		 L2 2022	 100%	 100%
SMALL VAN	 PROMASTER CITY	 ALL-NEW PROMASTER CITY		 L2 2021	 100%	 100%
LARGE VAN	 PROMASTER	 PROMASTER			 100%	 100%

https://www.fcagroup.com/capitalmarketsday/Presentations/FCA%20June%201%202018%20CMD_RAM%20Brand.pdf

https://www.fcagroup.com/en-US/investors/Pages/capital_markets_day_2018.aspx

Appendix 5 – FCA's Global Ram Product Plan

MASERATI

PRODUCT PORTFOLIO

GLOBAL <

https://www.fcagroup.com/capitalmarketsday/Presentations/FCA%20June%201%202018%20CMD_Maserati%20Brand.pdf

https://www.fcagroup.com/en-US/investors/Pages/capital_markets_day_2018.aspx