

To: Hon Simon Bridges, Minister of Transport	AIDE MEMOIRE
From: [REDACTED]	
Date: 1 December 2014	
Through: Erin Wynne, Manager People and Environment [REDACTED]	

Subject: Zero Emissions Vehicles' suggestions to encourage electric commercial vehicles

1. This aide memoire contains our preliminary advice on the initiatives proposed by Andrew Rushworth, Managing Director of Zero Emissions Vehicles Limited (ZEV), in his letter to you dated 10 November 2014. The initiatives include:
 - a. extending the current road user charges (RUC) exemption on electric vehicles under 3.5 tonnes to heavier electric vehicles
 - b. providing for a higher rate of depreciation on the capital cost of class NB¹ battery electric vehicles
 - c. active Government support for infrastructure development to support battery electric commercial vehicles, primarily commercial fast charging infrastructure.
2. We understand that ZEV's Enviro Series trucks weigh between 9 to 18 tonnes.
3. Should you accept Mr Rushworth's invitation for a meeting, we can provide a further briefing and speaking points.

Key messages

4. As part of the Ministry of Transport's work programme (OC02641 refers), we recommended that you agree for us to undertake further work on electric vehicles. This would include more detailed advice on the proposals above.
5. Extending the RUC exemption to include heavier vehicles would potentially be far more costly than the current exemption for light vehicles, and would be a further deviation from the user-pays model.
6. Providing for a higher depreciation rate on electric vehicles could incentivise their uptake, but may disadvantage operators that cannot utilise electric vehicles. It also conflicts with the principles of neutrality that underpin existing depreciation rates.
7. The cost to the Government of installing a national network of charging stations currently outweighs the benefits. The number and location of any Government funded charging facilities should likely be based on visibility or volume of electric vehicle traffic in the area.
8. As indicated in our briefing to you on opportunities to encourage the uptake of electric and hybrid vehicles (OC02683 refers), we would need to work with Treasury and Inland Revenue to assess these options.

¹ Vehicles for transporting medium goods, gross vehicle mass over 3.5 but not over 12 tonnes and used for short-term hire.

Extending the current RUC exemption on light electric vehicles to larger vehicles

9. Heavy vehicles cause a disproportionately high level of damage to roads compared to light vehicles and are charged considerably higher levels of RUC than light vehicles.² While few heavy electric vehicles are expected for sale in the near future, their inclusion in an exemption could create a considerable financial incentive for their deployment, possibly resulting in higher-than-expected sales and RUC revenue losses.
10. In addition, bus services, electric or otherwise, are normally subsidised directly through local or central government.
11. Should you agree that the Ministry undertake further work on electric vehicles (OC02641), we would re-examine the potential costs of extending the RUC exemption and provide you with advice.
12. In 2009, during final preparation of the paper to seek Cabinet's agreement to the RUC exemption for electric vehicles, the then Minister of Transport, Hon Steven Joyce, advised that the exemption was to be limited in time and scope and apply only for light vehicles. His view was that:

It is an important principle that all road users should pay the costs they impose on the roading network regardless of how those vehicles are powered. This is critical to ensure the continued development of our roading network. I would, therefore, not wish to see the exemption of light electric vehicles as setting a precedent for RUC exemptions. The proposed incentive for light electric vehicles is therefore transitory and limited in scope. It is envisaged that the longer term incentive to move to new fuel technologies will be in the emissions trading scheme.

Depreciation rates on the capital cost of battery electric vehicles

13. Depreciation rates are set to reflect the diminishing value of commercial assets over their economic lifespan. This loss of value is offset through an equal reduction in payable income tax. Accelerating depreciation rates could increase the rate at which assets are replaced.
14. Providing for a higher rate of depreciation on electric vehicles would advantage only taxpayers who are able to use an electric vehicle for their business. It would also require specific statutory intervention as it conflicts with the principles of neutrality that currently determine how depreciation rates are set.
15. This option is included in Appendix 1 of the briefing to you on options to encourage the uptake of electric and hybrid vehicles (OC02683 refers). We would need to work with the Internal Revenue Department to determine if this option is feasible and its potential costs.

Government support for commercial fast charging infrastructure

16. In our briefing to you on options to encourage the uptake of electric and hybrid vehicles (OC02683 refers), we advised that an information and promotion campaign could include the installation of 'demonstration' vehicle charging infrastructure at highly visible locations nationwide. Some of these 'demonstration' sites could include fast charging facilities for commercial vehicles.

² Light vehicle RUC (<3.5 tonnes) is \$58 per 1000 kilometres. RUC for a type 2 vehicle between 9 and 12 tonnes (such as ZEV's trucks) is \$130 per 1000 kilometres.

17. We recommended that you discuss that briefing with the Minister for Climate Change, before directing officials progress work on a potential package of measures to encourage the uptake of electric/hybrid vehicles, which would include advice on (among other things) the scope and costs of an information and promotion campaign led by the Energy and Efficiency and Conservation Authority in partnership with industry. If you agree, we will report back to you on progress in April 2015.

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