



7 November 2022

National Electric Vehicle Strategy  
via: [NEVS@industry.gov.au](mailto:NEVS@industry.gov.au)

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Dear Sir/Madam,

Westpac Group (**the Group**) supports the Australian Government's national emissions reduction target of 43% by 2030 and net zero by 2050. The national fleet (both public and privately owned) must play its part in national emissions reduction. Therefore, we also support Australia becoming a globally competitive market for Electric Vehicles (**EVs**).

### ***The objectives***

We agree with the objectives of the strategy, *i.e.* to encourage rapid increase in demand for EVs; increase the supply of affordable and accessible EVs to meet demand across all segments; and establish the systems and infrastructure to enable the rapid uptake of EVs. From our perspective there are two key concerns:

- 1) ensuring that the national vehicle fleet is a strong contributor to net zero; and
- 2) ensuring that take up of electric vehicles is not only confined to those people who are well-resourced.

In May 2022, the Group launched a car loan offer with a discounted rate for electric and hybrid vehicles (EV loan). Since launch of the offer, EV loans account for 8% of flow (vs non-EV loans). We are the first major bank to provide a preferential loan rate for EVs and we consider this to be one of the ways we can show our support for Australia's shift to electric and hybrid vehicles.

We're aware that this offer is only attractive to a certain demographic and that ensuring that EVs are available to a broader cohort does two things: 1) Australia would not be oversupplied with vehicles that frustrate our ambitions to cut emissions; and 2) a broader demographic would have access to vehicles that are cheaper to run (not just to buy), *see below*.

The Group is also supporting the transition to hybrid and fully electric buses. Westpac is a key finance leasing partner for mass transit operator Kinetic for the upgrades to the bus fleet across their Melbourne Metropolitan Bus Franchise service contract with Victorian Government Department of Transport. We are also in discussions with many other bus operators across Australia for new or upgraded fleet of hybrid and fully electric buses. See below for some recommendations below with regard to the evolving challenges with financing these fleets.

Currently, manufacturers are penalised if they do not meet certain hurdles in other jurisdictions – particularly in Europe but also New Zealand, where the market is transitioning in accordance with the 'Clean Car Standard' which puts penalties on importers of vehicles into NZ if they don't meet certain CO<sub>2</sub> hurdles. The consequence of this is, until Australia has similar standards, Australia's EV supply will be constrained until such time as production levels are starting to meet demand in other countries. Until that demand is met, manufacturers will continue to prioritise EV supply to other markets. For this reason, we support the introduction of fuel efficiency standards.

Beyond this, there are some steps that we can take to help individuals think through their own choices.



### ***Incentives and information***

Our early figures provide a clear illustration of the problem the Government is seeking to solve: on average an EV loan amount is higher than non-EV loans (\$46,000 vs \$35,000) and – consequently – EV loan customers have higher monthly net income (\$7,000 vs \$5,700).

However, for customers who have the means and do the sums, can be cheaper to service the loan and the EV:

*Table 1: Illustrative example of cost savings from switching to EV over a 7-year loan period*

	Electric Vehicle	Petrol	Electric Vehicle	Petrol	Notes
<b>Car purchase cost</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$35,000</b>	<b>\$35,000</b>	1
<b>Running costs</b>					
Kms driven per year	15,000	15,000	15,000	15,000	2
Litres/Kilowatts (kW) per km	0.18	0.108	0.18	0.108	3
Cost per litre/kW	\$0.30	\$1.50	\$0.30	\$1.50	4
Running costs per year	\$810	\$2,430	\$810	\$2,430	
Running costs over 7 years	<b>\$5,670</b>	<b>\$17,010</b>	<b>\$5,670</b>	<b>\$17,010</b>	
<b>Set up costs</b>					
Home charging station	<b>\$3,000</b>	-	<b>\$3,000</b>	-	5
<b>Loan costs (7 year loan)</b>					
Best possible rate	4.99%	5.99%	4.99%	5.99%	6
Loan costs	<b>\$8,533</b>	<b>\$10,243</b>	<b>\$6,637</b>	<b>\$7,967</b>	
<b>Cost comparison over 7 years</b>	<b>\$62,203</b>	<b>\$72,253</b>	<b>\$50,307</b>	<b>\$59,977</b>	

#### **Notes**

1. Based on average EV loan and non-EV loan size (Source: Westpac)
2. Average kms driven per year (Source: Canstar)
3. Average across multiple vehicle types (Source: Canstar)
4. Average across petrol and energy providers (Source: Canstar)
5. Average cost of home charging station (Source: Canstar)
6. Current best possible Westpac car loan interest rate

In short, Table 1 shows that customers can save around \$10,000 over a seven year loan period where they purchase a EV with a Westpac EV loan (4.99%) vs a petrol/diesel car loan (5.99%) – factoring in costs of establishing home charging station and ongoing running costs. Note this excludes considerations of vehicle efficiency, petrol price volatility, electricity tariffs, state incentives/taxes and solar panel use.

We have included two car purchase cost assumptions to illustrate that the cost savings are consistent as long as the customer is considering purchasing models within the same price range, *i.e.* the customer's alternative to a \$45,000 EV purchase would be a \$45,000 petrol/diesel vehicle. Those customers who can not afford EVs (because there are currently no new EVs available for ~\$35,000), could benefit from switching to EV cars in the long run if EV car prices fall, or if they purchased an EV in the second-hand market.

**Recommendation:** Broader publicity and/or further development of existing calculators could assist customers to have confidence to make the switch.

However, broader considerations beyond affordability and costs also need to be addressed, *e.g.* existing and planned charging station infrastructure. We note that the Australian Government committed to a \$500 million Driving the Nation Fund to establish a national EV charging network and a hydrogen refuelling network on major highways.

In time, additional state-based incentives might include discounts on vehicle registration or transit lanes for green vehicles. Federal tax incentives would be more powerful to democratise take up.

## ***Supply of EVs***

The Group, through our institutional relationships with leading Government and Corporate vehicle fleet managers, receives feedback and market intelligence on how clients are considering their own EV transition. Increasingly, public and private sector ESG transition plans to 'electrify' their vehicle fleet by a certain date will create an aggregate demand. However, if supply is low and demand is high (due to ESG commitments) then EVs may become less affordable. Therefore, it is critical that there be coordination between the private and public sectors and awareness of supply requirements in order to ensure appropriate policy settings. Equally, government may wish to coordinate procurement to achieve economies of scale from global manufacturers. This will create further supply to Australia and drive down cost of EVs overall.

**Recommendation:** Informed policy outcomes will need an independent body or coalition of government agencies to map the stated demand requirements, the supply options and infrastructure requirements. As we learnt with COVID, countries that prioritise and move early, have a strategic advantage. We encourage government departments and agencies to coordinate with regard to their own procurement plans to achieve better commercial outcomes for the broader market.

## ***Electrification of Australia's road transport***

The Group continues its proactive engagement with both State/Territory Governments and the private sector to understand their greenhouse gas emission reduction targets and the corresponding investments needed to achieve those targets. Client considerations typically extend beyond passenger vehicles to include zero emissions buses, light commercial vehicles and medium distance commercial and passenger freight vehicles.

Our longstanding relationships with leading fleet managers and after-market vehicle sales providers who have commenced offering certain levels of residual values and are considering approaches to supporting a secondary market. However, because EVs are a new asset class, the current technology obsolescence risk and the evolving future value estimates associated with EVs present a challenge when structuring fleet-based funding solutions which requires Lessors to take a view on the future values of EV in the form of a residual value. Certain clients prefer a leasing solution because it offers corporates and governments more regular upgrade of their fleet(s) to keep up with technological changes. A lease arrangement could also help in avoiding a steep depreciation profile of certain asset classes and fleets can be bundled with relevant services such as maintenance and disposals. A key enabler for financier support to the sector is having an active and developing secondary market for EVs. The following are suggestions to assist in establishing and supporting the secondary market:

**Recommendation:** support end of term residual value positions with concessional capital providers (e.g. Clean Energy Finance Corporation, ARENA) to support residual values for EVs, zero emissions buses and light commercial vehicles. Allowing lessors and fleet managers, to underwrite higher residual values will help in offering the same funding solutions used for internal combustion engine vehicles. Support could have different forms but may include residual value guarantees.

**Recommendation:** Incentivise aftermarket service providers who offer battery refurbishment and/or battery replacements for EVs.

A key aspect of the investment in electric buses is the charging infrastructure and making sure it is the right scale for the expected bus operation. Given the distance travelled each day by commuter buses, scaling the infrastructure for fast charging is important as well as ensuring there is sufficient access to the electricity network.

**Recommendation:** A strategic and coordinated procurement of EVs across Commonwealth and State/Territory Governments could incentivise manufacturers and market participants to prioritise the Australian market for supply of vehicles (and the necessary infrastructure). Given the lifespan of many buses, it is critical that any new buses are low or zero emission ready to ensure significantly lower emissions from this part of the transport sector by 2030.

## ***Ensuring all Australians get access to the opportunities and benefits from the transition***

Just as the Government is keen for Australia to benefit from EVs, the Government should consider safeguards for lower socio-economic groups who would find it harder to finance themselves into EVs and could be left with stranded assets in the form of petrol vehicles.

**Recommendation:** consider incentives in the form of tax deductibility for certain income groups for EVs (and home chargers) for personal use and/or rebates through some form of tax benefit. Government grants may be appropriate for individuals on Government benefits. Equally, small businesses seeking to reduce their running costs, but working on tight margins, would benefit from similar concessions.

Should you wish to discuss further, please contact [REDACTED]  
[REDACTED]

Yours faithfully,

[REDACTED]

**Richard Collyer**  
**Director, Government Affairs, Reputation and WIB Corporate Affairs**