NALSPA

National Automotive Leasing and Salary Packaging Association

**OCTOBER 2024**

# Charging ahead with low-emissions vehicles

An increasing number of Australian motorists are starting their electrification driving journey behind the wheel of low-emissions cars in particular plug-in hybrid electric vehicles (PHEVs) which is helping them save money and reduce emissions.

The Fringe Benefits Tax (FBT) exemption on low and zero-emissions vehicles is playing a pivotal longer-term role in driving EV uptake by making them a realistic affordable option for everyday working Australians. However, similar to that experienced in many overseas jurisdictions, sales of battery electric vehicles (BEV) are now growing at a slower pace than in previous years, with demand for PHEVs and hybrid cars rising, underscoring the important role of vehicle hybridisation in Australia's goal to reach net zero.

PHEVs make the transition to sustainable transport more accessible for a broader range of motorists by offering a cleaner alternative to traditional vehicles while meeting their day-to-day personal and work needs. PHEVs are helping to plug the gap in the electrification of larger SUV and dual-cab vehicles which aren't generally available today in BEV form. PHEVs are also alleviating concerns around driving range, and charging infrastructure, which is still evolving, particularly in regional Australia.

## PHEV sales on the rise

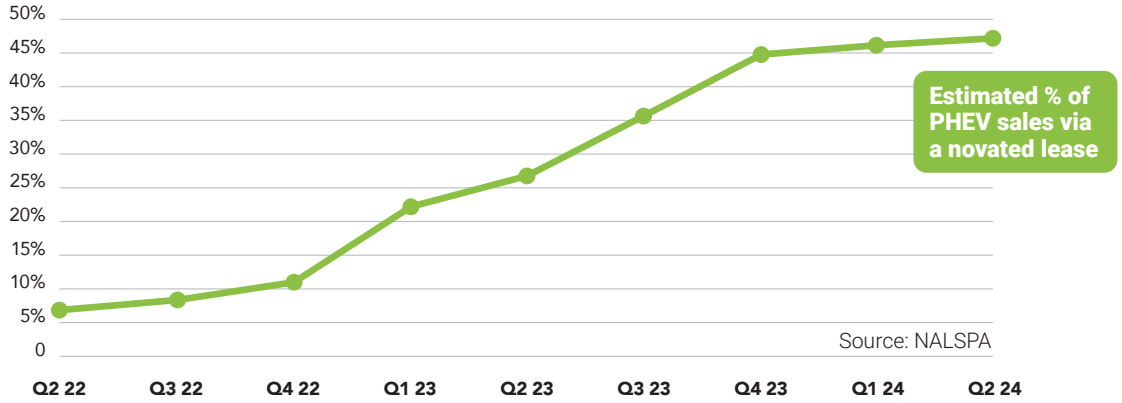
According to the Australian Automobile Association's EV Index for new light vehicle sales, in the first half of 2024 compared to the same period the year before:

**PHEV** ↑ **129%**

**Hybrid** ↑ **113%**

**BEV** ↑ **18%**

The growing popularity of PHEVs is largely being driven by their current exemption from FBT which came into effect in July 2022, making PHEVs far more affordable for everyday working Australians. NALSPA estimates the FBT exemption contributes to around 45% or more of PHEV sales in Australia today.



# PHEVs are essential for our decarbonisation journey

## Australians tend to favour larger SUVs, dual-cabs and utes, many of which are currently not available in BEV form.

In fact, some 40% of vehicles sold in Australia are large SUVs or dual-cabs (i.e. Ford Ranger, Toyota Hilux and Prado, Isuzu D-Max), with less than 1% of these being BEV. A further estimated 20% of all vehicles sold are medium SUVs with smaller BEV availability in that segment.

In effect, this means around half of the new vehicle market in Australia doesn't really have a BEV option to currently consider in the vehicle size, shape and brand they desire.

However, PHEVs today and in the near term will offer a greater variety of larger vehicles in electrified form including the Ford Ranger PHEV and BYD Shark PHEV. That being said, without these PHEV alternatives being supported by demand side incentives such as the FBT exemption to aid their affordability and encourage uptake, a reduced number of Australian motorists and businesses will be able to consider their purchase, especially amidst a cost-of-living crisis.

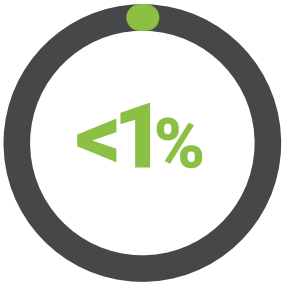
This may result in Australians remaining in older, less efficient, higher-emissions vehicles or not considering a lower-emissions vehicle for their next purchase, slowing our efforts to de-carbonise and start everyday Australians on their electrification journey.

## Estimated BEV share of SUVs

**Smaller SUV**

**Luxury SUV**

**Large SUV and Utility**




Source: Deloitte Motor Industry Services

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# Our PHEV research

NALSPA recently commissioned research firm JWS Research to undertake a quantitative survey of novated lease PHEV drivers to understand their driving and charging practices, and motivations for choosing a PHEV. More than 600 PHEV drivers were surveyed between July and August 2024. JWS Research found that:

## PHEVS ARE A STEPPING STONE TO DRIVING PURE ELECTRIC

**Once Australians get into an electric car, they are very unlikely to turn back.**

### Before buying a PHEV:

73% 45%

73% said they considered a petrol, diesel or standard hybrid vehicle. 45% considered a BEV.

### After buying a PHEV:

48% 56%

only 48% say they would still consider a petrol, diesel or standard hybrid vehicle for their next car. And 56% would now consider a BEV.

### PHEVs are primarily used as EVs

On average, PHEV drivers use **electric power only** for two-thirds (65%) of their trips. It's electric first for a typical PHEV.

Nine in ten (89%) **recharge the battery** at home at least twice a week, including nearly three in five (57%) that **plug in every night**.

This debunks the claim that PHEV drivers hardly plug in or use electric-only mode. Most PHEV drivers in Australia use their PHEVs as electric vehicles most of the time.

### PHEVs are saving motorists money

Six in ten (64%) PHEV drivers said they are saving as much as **$75 a week on fuel**.

### Range-anxiety is hindering BEV uptake

PHEV owners didn't choose a BEV largely due to **the lack of public charging infrastructure** (56%) and the **time it takes to recharge** on the road (50%).

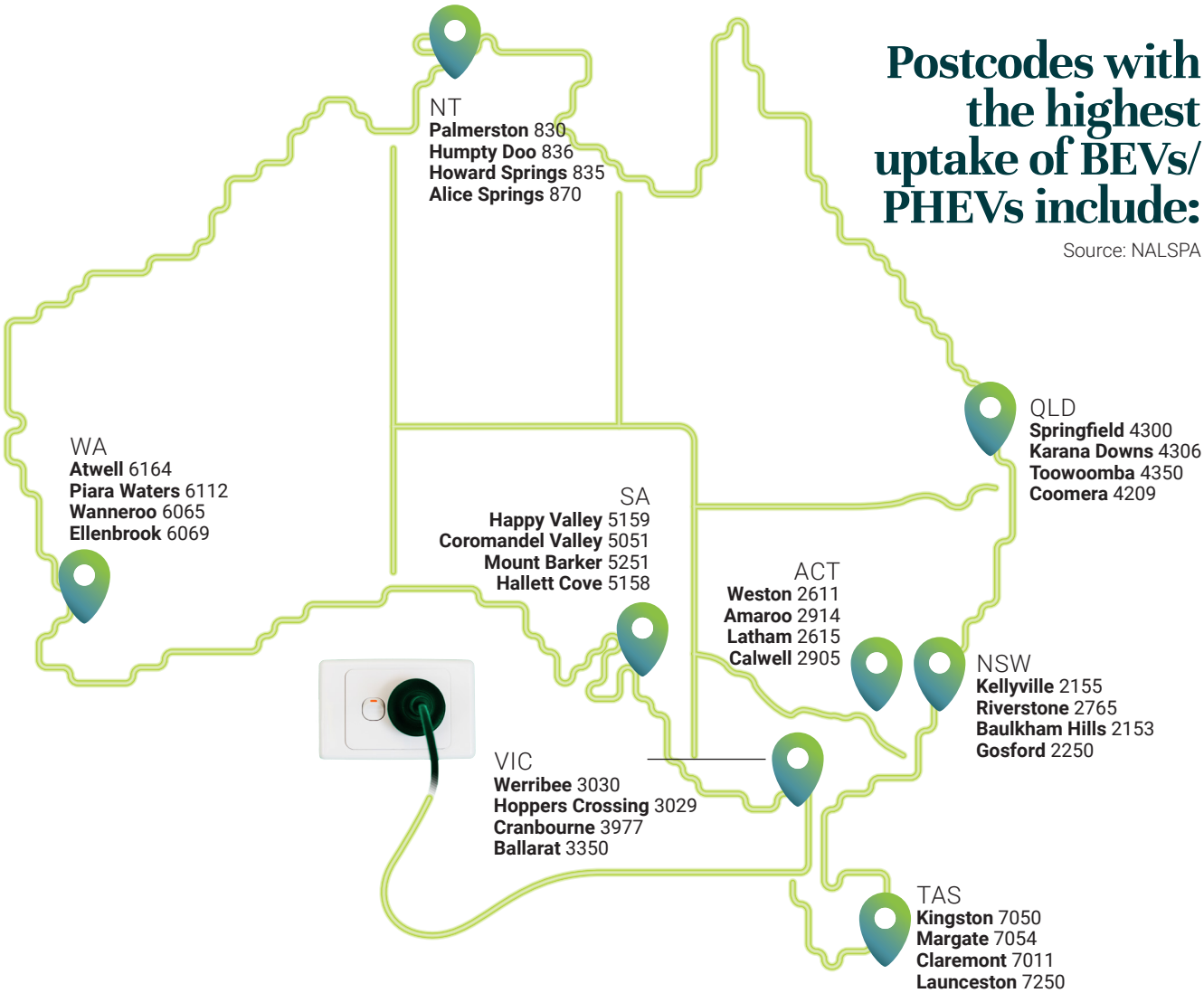
### PHEVs suit the driving needs of regional Australians

Two in five (42%) people living in regional, rural or remote Australia said **BEVs don't suit their driving needs**. PHEVs are making it easier for residents in regional areas who drive long distances to transition to electrified driving.

# EVs are popular in the outer suburbs and regional areas

While efforts are still needed to enhance motorists' understanding of the benefits of EVs, dispel myths and provide a greater understanding of government purchase incentives, Australians living in the outer suburbs are embracing low and zero-emissions vehicles more than any other demographic. EV adoption is also rising in regional centres. This is driven by factors including longer commuting and distances travelled with a desire to reduce costs, and a greater likelihood of having access to home charging and rooftop solar compared to those living in the inner-city.

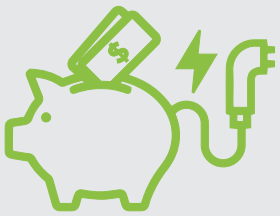
PHEVs are proving popular among people living regionally as they ease range anxiety and better meet their driving needs today. NALSPA members are seeing a greater uptake of PHEVs in regional areas compared to BEVs.



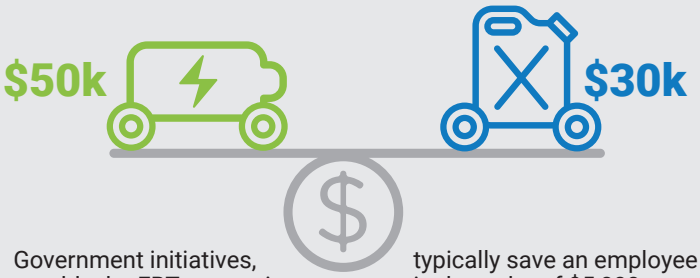
# EVs are helping ease cost-of-living pressures

Owning and operating a car is one of the biggest household expenses for most families, however low and zero-emissions vehicles are becoming increasingly affordable which is helping drive uptake and speed Australia's path to net zero.

The EV discount, which includes an exemption from paying FBT on eligible electric vehicles, became law in December 2022 and has applied from July 2022. The FBT exemption is aimed at driving uptake of EVs, creating a more buoyant second-hand EV market, as well as encouraging car manufacturers to import and supply more affordable electric models, both BEV and PHEV, in Australia.



EV motorists can save thousands of dollars on fuel and maintenance costs.




Government initiatives, notably the FBT exemption on EVs, is helping more everyday Australian workers, including many nurses and teachers, afford the latest clean, energy-efficient vehicles.

The FBT exemption via a novated lease through a motorist's employer can typically save an employee in the order of $5,000 a year or more. This means that a $50,000 EV could cost around the same or less to own and operate over four years compared with a $30,000 ICE vehicle. This policy is acting as a critical enabler in getting more everyday Australians into an EV than would have otherwise been the case.

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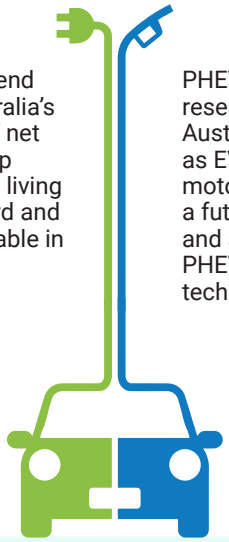
# Supporting PHEV uptake

The FBT exemption is currently legislated to end for PHEVs on 1 April 2025. Considering Australia's ongoing cost-of-living challenges and goal of net zero, extending the FBT exemption would help more everyday Australians, particularly those living in the outer suburbs and regional areas, afford and access PHEVs; a cleaner vehicle that is available in sizes and types they prefer or need to drive.



PHEVs are an EV first and foremost, and our research demonstrates that typical everyday Australian motorists are primarily using them as EVs. PHEVs meet the driving needs of most motorists today while also preparing them for a future that has more charging infrastructure and a wider range of larger BEV models, thus PHEVs are acting as an important bridging technology to full electrification.

## *Who we are*

NALSPA is the peak industry body for the salary packaging and novated lease sector in Australia.

NALSPA represents members who provide salary packaging, workplace benefits and fleet related services to organisations and employees across Australia. These services are predominantly provided across the not-for-profit, health, government and corporate sectors.

NALSPA members directly help around one million Australian employees, including in lower to middle income cohorts, to utilise their pre-tax salary to package a number of different employment-related benefits, with this number inflating in recent times as many more everyday working Australians look for meaningful ways to help combat their high living costs. Notably, NALSPA's members fully support electrification of the Australian motor vehicle fleet.

## *Get in touch*

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