



The Chairperson
Senate Economics Legislation Committee

17 August 2022

Dear Chairperson

Re: Treasury Laws Amendment (Electric Car Discount) Bill 2022

Plenti is pleased to provide a submission to the Senate Economics Legislation Committee regarding the Treasury Laws Amendment (Electric Car Discount) Bill 2022.

Introduction

Plenti is a technology-led lender, providing faster, fairer loans and outstanding customer service.

Since establishment in 2014, Plenti has grown to become Australia's leading consumer fintech lender with over \$2.6 billion in loans funded. It has also grown to have a significant presence in the automotive finance industry.

A key ambition of Plenti is to help drive Australia's clean energy future, by helping people transition more rapidly to electric vehicle (**EV**) ownership and increase the penetration of household renewable energy systems.

We have formed strategic partnerships with large energy retailers including Energy Australia, AGL and ACTEW-AGL to deliver customer solutions that accelerate the uptake of EVs and household renewable energy systems in Australia. We also have in place an agreement in place to provide cost-effective finance to the customers of a large EV manufacturer.

We are experienced in partnering with governments to design and administer subsidy and incentive schemes to accelerate the uptake of renewable energy technology. Notably, Plenti has worked with the Government of South Australia since 2018 as the exclusive finance administrator of the Home Battery Scheme, and with the New South Wales Government since 2020 as the delivery partner for the Empowering Homes Program pilot.

Furthermore, the Clean Energy Finance Corporation (**CEFC**) has been a funding partner of Plenti's since 2017, when we commenced our renewable energy lending program. Our relationship with the CEFC allows us to provide discounted finance to consumers to make the purchase of EVs and home renewable energy systems more affordable.

In late 2021, Plenti launched a suite of innovative EV finance products and tools to help make the transition to EV ownership in Australia easier and more affordable. To support this launch, Plenti commissioned Accenture to prepare a research report into the barriers to EV adoption in Australia and to consider the implication on

household energy usage that arises from the transition to EVs. The report, [Solar charged EVs in Australia](#), notes the following key findings of the research:

- EVs and internal combustion vehicles are now cost competitive over a 15-year lifetime, however upfront purchase costs (and related finance costs) remain a barrier for many households;
- An \$8.9 billion market for EVs and home solar and battery systems could emerge by 2026 if affordability concerns and non-financial barriers are addressed;
- EV, home solar and battery system ownership can reduce average household emissions by 83% when compared to using an internal combustion vehicle and grid power;
- Households with an EV that is charged from a home solar-battery system can expect an average total electricity bill of ~\$230 each year, down from the current average household's \$1,892 annual electricity bill where grid power is used (and no EV);

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As an active and committed participant in Australia's EV ecosystem, Plenti welcomes the Federal Government's initiatives to improve electric vehicle uptake and broadly supports the ambition of the Bill to help make the purchase of EVs by consumers more affordable.

However, Plenti considers that offering the described FBT benefits in relation to EVs is likely to[]

- a) Novated leases are a product only available to a limited segment of prospective EV purchasers

As drafted, the FBT benefits under the Bill apply only to company employees who use an EV for work and personal use, and who utilise novated lease arrangements (or salary sacrifice arrangements). Novated leases are only accessible to a small segment of potential vehicle purchasers and are currently used to finance only a small portion of vehicle purchaser in Australia (~10% of vehicles, per Plenti estimates).

By only providing an incentive through an FBT-relief mechanism, significant groups of prospective EV purchasers are excluded from any benefit. They include:

- Small businesses and organisations that cannot or do not wish to utilise salary sacrifice regimes to provide benefits to employees;
- Individuals and businesses who wish to utilise more traditional, more transparent finance options, such as secured car loans or chattel mortgages, which do not relate to the provision of a benefit by a company to an employee; and
- Sole traders, self-employed, retired persons or persons who derive substantial income from non-employment sources (for example, disability pensions).

Even if the introduction of the Bill's FBT benefit results in an increase in the utilisation of novated lease products, it is unlikely to reach a large portion of potential EV consumers and the benefit to adoption rates of EVs is unlikely to be significant.

- b) Novated lease providers are likely to absorb any FBT benefit available under this scheme

A majority of novated leases in Australia are facilitated through a novated lease providers or introducers who, amongst other things, arrange for the procurement of the vehicle, establish the leasing arrangements between the company and the employee, process the salary sacrifice payments and provide for any operational leasing services such as the supply of fuel, tyres and other services.

In providing these services, novated leasing providers charge significant fees to employees, and are paid commissions from lease finance providers in the form of both up-front commissions and ongoing (or trail) commission.

These amounts can be significant and are often set by the novated lease provider at a level that seeks to 'capture' a substantial portion of any tax or GST benefits that would otherwise be available to an employee under a novated leasing arrangement.

For example, a typical novated lease arrangement will have the following payments made to the lease provider:

- Customer fee (or brokerage): 4-8% of the value of the vehicle (can be as high as 12%)
- Novated lease provider commission: 8-10% of the value of the vehicle (excl brokerage)
- Trail commission: 0.5% per annum, calculated on the value of the whole leasing portfolio

Commissions such as these result in a higher monthly costs for employees compared to transparent financing arrangements such as consumer loans or commercial chattel mortgage finance where consumers may not pay any brokerage or commission at all if they obtain the finance direct from a lender.

In many cases, the disclosure of these commissions and payments are opaque and presented in a non-standardised form. It can be very difficult for employees to understand how much a lease provider earns under a novated lease arrangement or to compare between lease plans to determine which may offer the best value to the customer.

Based on current industry practice, Plenti expects that most or all of the FBT-benefits provided under the Bill would be captured by novated lease providers in the form of increased customer fees or commission amounts. As a result, the benefit of the Bill is unlikely to flow through to employees and any incentive for employees to choose an EV over high-emission internal combustion engine alternatives reduced.

c) Novated leases do not provide important consumer protections

Novated leases are generally not regulated under the *National Consumer Credit Protection Act 2009 (Cth)* (**NCCPA**). This act, which applies to consumer automotive finance products such as secured automotive loans, provides significant protections to consumers by, amongst other things, obliging lenders to:

- Hold an Australian Credit Licence and comply with the general obligations to act fairly, honestly and efficiently;
- Not lend to customers where to do so would cause significant financial hardship;
- Provide standard standardised disclosures in relation to the costs of finance;
- Avoid conflicted commission arrangements;
- Provide assistance to customers facing financial hardship; and
- Be a member of the Australian Financial Complaints Authority.

These are important protections that promote the functioning of an efficient, competitive finance market, ensure consumers are fully informed about the costs and terms of their finance and help prevent financially vulnerable consumers from entering into finance arrangements that are unsuitable or unaffordable.

By encouraging the uptake of unregulated novated leases, this Bill will encourage consumers to access finance which does not benefit from the protections in the NCCPA and may result in significantly higher levels of consumer harm.

Plenti proposals for consideration:

To avoid the limitations and harms as outlined above, Plenti would encourage the committee to consider amending the Bill and implementing broader measures that provide the following:

a) Transparency of the FBT benefit to employees

The Bill should provide that novated lease providers provide in marketing materials and other disclosure documents, how the relevant FBT benefit provided under the arrangement is made available to the employee in the form of reduced lease payments or other benefits. This would have the benefit of ensuring that the FBT incentives achieve their stated aim of incentivising employees to select EVs over other vehicles, whilst ensuring that the arrangement delivered a transfer of value to end users and not industry participants.

b) Regulation of novated leases under the NCCPA

The NCCPA should be amended to include novated leases to ensure a level playing field between forms of vehicle finance, and to ensure that employees are provided with the important consumer protections as set out above.

c) Alternative forms of incentive

The Committee should consider the implementation of an alternative incentive or subsidy regime that provides direct financial benefits to potential vehicle purchasers that do not utilise novated leases to finance the purchase. This would help ensure that a wider range of potential EV purchasers, including

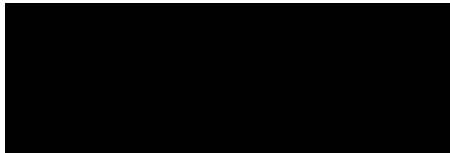
individuals, small businesses and other entities that do not qualify for or chose not to utilise structures that benefit from FBT relief are equally incentivised to transition.

In addition or in the alternative, if the Committee did not wish to recommend a direct transfer mechanism to provide an incentive, alternative benefits could be provided via the tax system, for example, in making interest payments in relation to finance for the purchase of an EV deductible from personal income tax.

If of value to the Committee, Plenti would be pleased to appear before the Committee in any hearings or provide supplementary information or market data to help support its deliberations.

We thank the Committee for their consideration of this submission.

Kind regards,



Benjamin Milsom
Co-founder and Chief Commercial Officer