

#### 4. PROPOSED BUDGET FOR ENVIRONMENTALLY-SUSTAINABLE VEHICLES

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The purpose of this report is to recommend making budget provision from 2004/05 onwards for the purchase of hybrid and/or fuel cell vehicles as they become available.

The Council considered a report in September 2002 that looked at the options available for increasing the number of environmentally-sustainable vehicles in the Council's own white car fleet. At the time it was considered that hybrid vehicles were not yet commercially available in New Zealand and although second hand vehicles were able to be purchased no support network existed to ensure that they operated in a reliable manner. The report noted that it was expected that fuel cell cars would "begin rolling off the assembly line in 2004". It was also noted in that report that the additional operating costs of purchasing a Toyota Prius when compared with a Holden Barina (our current standard fleet vehicle) was approximately \$8,233 per year per vehicle.

Given the additional costs that would need to be recovered and the budget constraints within which units are expected to operate it could be expected that there would be resistance from units to use a significantly more expensive vehicle. This would not, however, preclude the Council from owning such vehicles providing that a charging mechanism could be arrived at that would make the cost of vehicle use to the units cost neutral. One option that the Council has already used is to collect the additional costs within a corporate account while continuing to charge units at the standard rate. This principle has already been used in the purchase of wind energy where a special account has been set up for the additional cost of the wind energy within the Corporate Services Energy Management budgets. This ensures that the units continue to pay the going rate for the service provided while any additional cost is borne in a corporate account. This has the added benefit of clearly identifying the actual additional costs incurred by the Council in adopting a particular policy direction. It is proposed that the same principle be used for the purchase of hybrid and/or fuel cell vehicles initially for the purchase of five vehicles in 2004/05 year, a further five vehicles in 2005/06 year and a further five vehicles in the 2006/07 year. This would mean that at the end of 2006/07 year the Council would have a fleet of 15 environmentally-sustainable vehicles and would then be in a replacement cycle for additional vehicles.

The budget request set out in the table below is provisional but based on current information is our best estimate of additional costs for the purchase of these vehicles and their ongoing operation. The actual prices at the time will depend primarily on the volumes manufactured and the level of demand for these vehicles. It is unlikely in the early years that any discounts would be available but this could change in subsequent years as the technology and cars become more mainstream. As better information becomes available it is intended that the amounts would be adjusted to reflect this.

<b>Hybrid Vehicles</b>	<b>2003/2004</b>	<b>2004/2005</b>	<b>2005/2006</b>	<b>2006/2007</b>	<b>2007/2008</b>
	\$	\$	\$	\$	\$
Additional capital budget required	0	175,000	175,000	175,000	175,000
Additional operating costs	0	41,165	82,330	123,495	123,495

#### **Staff**

- Recommendation:**
1. That the Committee support the proposal for additional funding for the purchase of environmentally-sustainable vehicles from the 2004/05 year onwards.
  2. That this report be forwarded to the Annual Plan Subcommittee.

#### **Chair's**

**Recommendation:** That the above recommendation be adopted.