

Benefits of a Scrappage Program

GHG & Smog Emissions/Safety/Economic

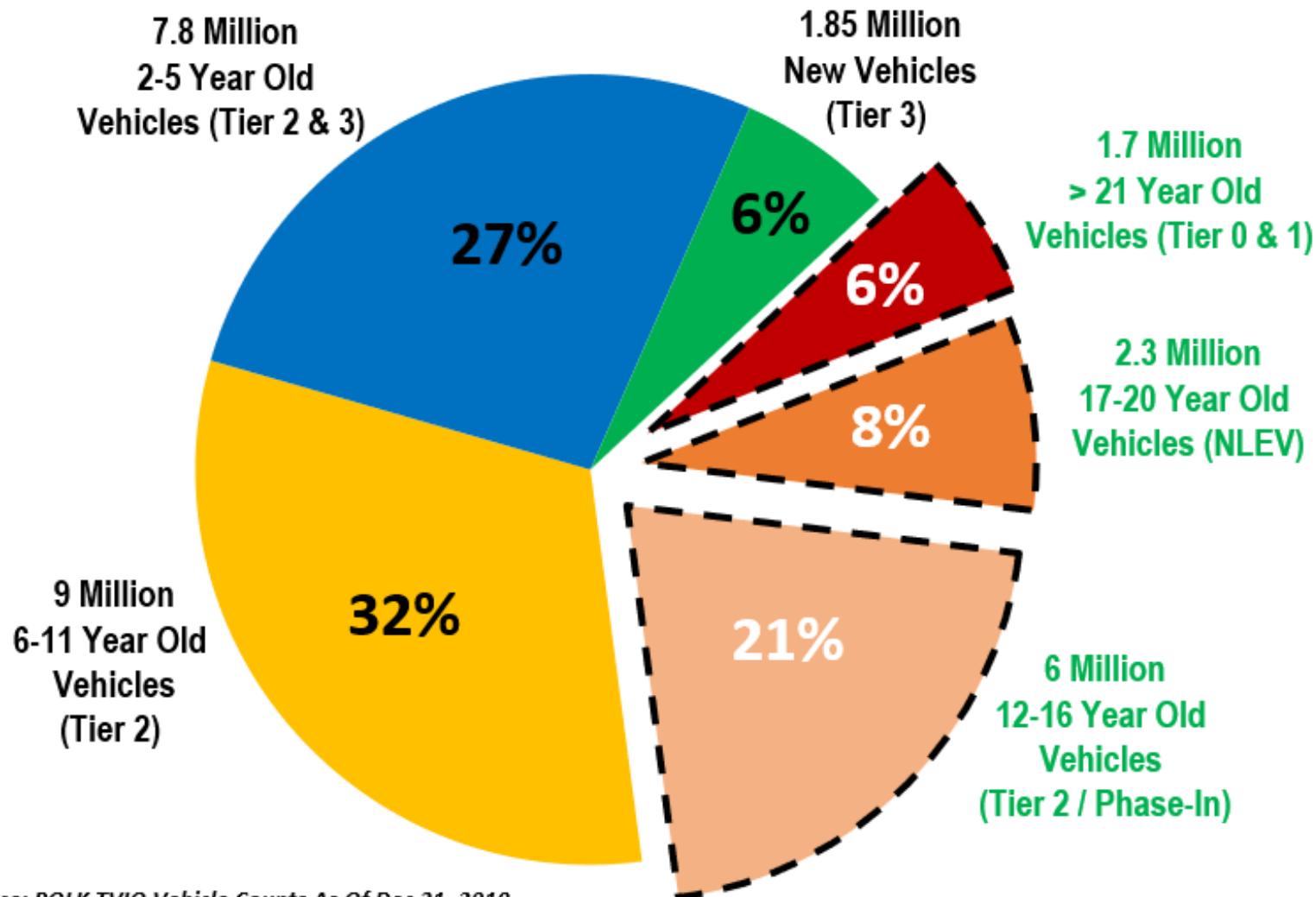
April 20, 2020

Canadian Vehicle Scrappage Program Recommendations

- A vehicle scrappage program would have an **Economic Benefit, Consumer Safety** benefits as well as **Environmental benefits** (*GHG and smog emissions*) by replacing older higher emitting less safe vehicles with new vehicles.
- Data in this report show that a \$1500 to \$3000 national scrappage program can deliver **GHG reduction of 2 to 7 MTs** in Canada and in this health crisis recession would provide market incentives to consumers.
- Focusing on the scrapping of a portion of older (*12 years and older*) on-road vehicles (Tier 0 & 1, NLEV, and Tier 2) and replacing them with newer (Tier 3) vehicles provides the greatest GHG & smog emissions, as well as consumer safety benefits.

GHG Reduction Opportunity in the Older Vehicle Fleet

35% of LDVs are 12+ years old contributing many times more GHGs than new vehicles
Opportunity for Scrap-It Program



Source: POLK TVIO Vehicle Counts As Of Dec 31, 2019

- Scrap-it program would accelerate the turnover of older high emission vehicles with new higher efficiency vehicles
- Multiple benefits from replacing older vehicles with New ICEs and ZEVs
 - *Much lower GHG emissions,*
 - *Virtually zero smog emissions*
 - *Improved consumer safety*
- It takes over 20 years to turn over the on-road fleet

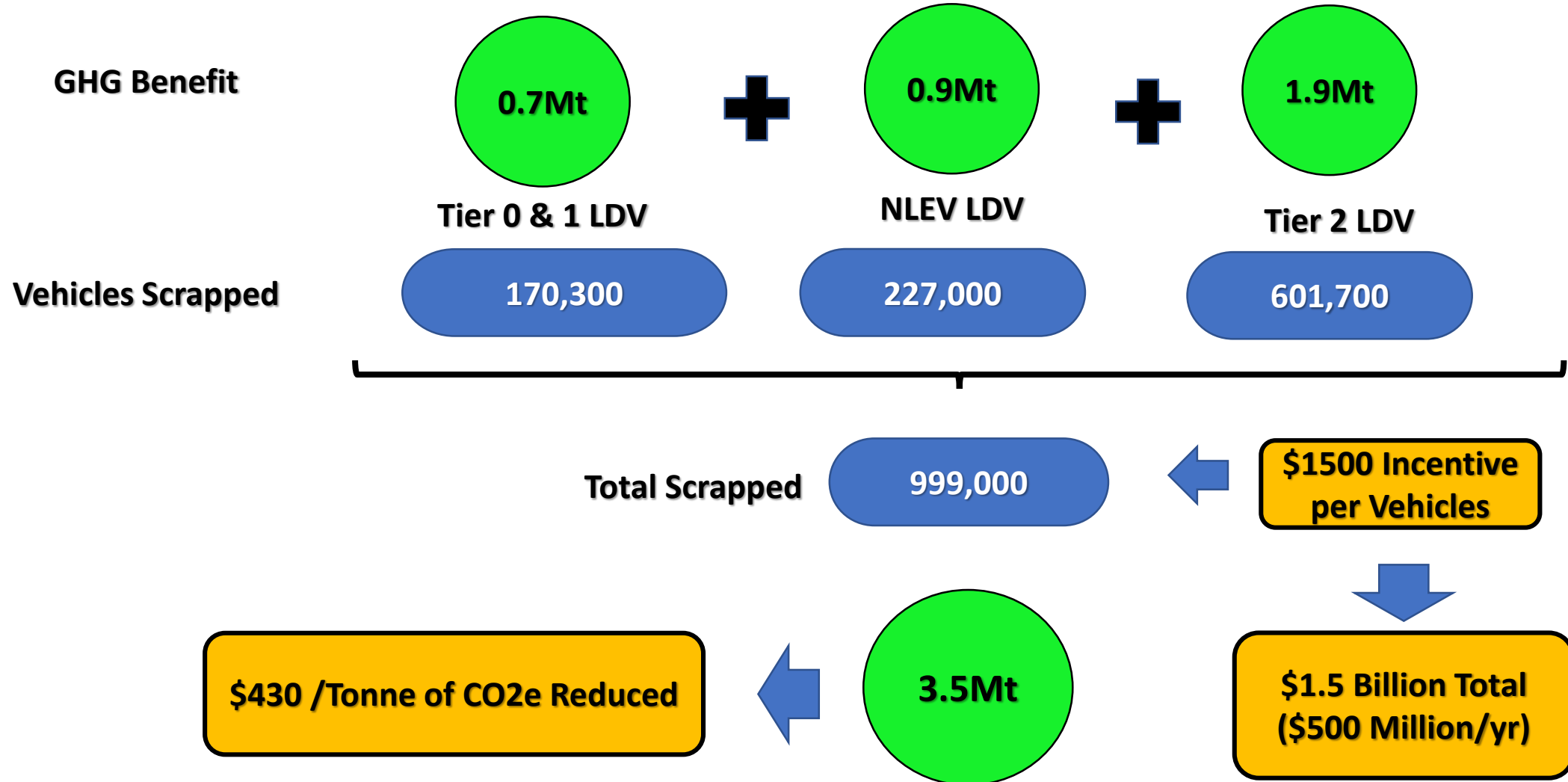
Potential GHG Reduction From a Scrappage Program

Total Volumes (Tier 0 - Tier 2)	9,989,953								
Total Volumes by Tier	1,703,036			2,270,178			6,016,739		
	Tier 0 & Tier 1			NLEV			Tier 2		
Model Year Range	1981 → 1999			2000 → 2003			2004 → 2008		
% of Vehicles Scrapped	5%	10%	20.0%	5%	10%	20.0%	5%	10%	20.0%
Number of Vehicles Scrapped ('000)	85.2	170.304	340.6	113.5	227.018	454.0	300.8	601.674	1,203.3
Reduction by Tier (Mt)	0.4	0.7	1.5	0.4	0.9	1.8	0.9	1.9	3.7
Total GHG Opportunity (5% from each Tier) Mt	1.7								
Total GHG Opportunity (10% from each Tier) Mt	3.5								
Total GHG Opportunity (20% from each Tier) Mt	7.0								

Source: POLK TVIO Industry Vehicle Counts As Of Dec 31, 2019 (inclusive of 2019MY)

- A 3 year scrappage program replacing 0.5 to 2 million vehicles that are 12 years or older from the on-road fleet would achieve a potential benefit of between 1.7 and 7 Mt GHG.
- This analysis assumes an equal percent of the Tier 0, Tier 1, NLEV, and Tier 2 on-road vehicle populations are scrapped and replaced with new Tier 3 vehicles. A portion of these vehicles could be scrapped and not replaced which would provide additional benefit.

Scrappage Model of 10% of On Road Vehicles 12+ Years Scrapped & Replaced by Tier 3 units Over 3 Years



Other Benefits of a Scrappage Program

New vehicles have significant safety technology improvements over the past twenty years which improve road safety and save lives

- Advanced front and side airbags
- Advanced pretension seat belts
- Rear view cameras
- Adaptive cruise control
- Automatic emergency braking
- Fore-aft collision warning
- Blind spot detection
- Electronic Stability control *
- Lane keep assist
- Lane departure warning
- Advanced lighting systems
- Tire pressure monitor
- Pedestrian protection
- Driver fatigue warnings

** The NHTSA estimated that ESC was the most significant safety advance since seat belts.*

New vehicles have significant lower smog causing emissions

- New Tier 3 vehicles are about 19 times cleaner than Tier 1 vehicles, 8 times cleaner than NLEV vehicles, and 4 times cleaner than Tier 2 vehicles

Increases adoption of vehicles with new GHG reducing technologies

- Higher biofuel capability (E15/B20)
- Lower global warming refrigerants (1234yf)



TRILLIUM AUTOMOBILE DEALERS ASSOCIATION

50 Leek Crescent, Suite 2B, Richmond Hill, ON L4B 4J3
Tel: (905) 940-6232 • 1-800-668-6510 • Fax: (905) 940-6235
www.tada.ca

Serving the Interests of Ontario New Car
and Truck Dealerships for over 100 years.

August 25, 2020

Standing Committee on Finance and Economic Affairs
c/o

Julia Douglas, Clerk
Room 1405, Whitney Block, Queen's Park
Toronto, ON M7A 1A2

Dear Committee Members:

On behalf of the Trillium Automobile Dealers Association and our 1,000 members, thank you for the opportunity to appear before you on August 21, 2020. I appreciated the questions and insightful feedback you provided.

As mentioned in my remarks, there are two issues we kindly request the Committee to consider.

The first item is Ontario's support for a national scrappage program. Our national association, the Canadian Automobile Dealers Association (CADA), along with the Canadian Vehicle Manufacturers' Association and the Global Automakers of Canada support this policy and have written to senior federal Ministers advocating for it.

A national vehicle scrappage program in Canada can stimulate consumer purchasing while also achieving reductions of greenhouse gas (GHG). We have modeled the incremental GHG reductions that could be achieved with a robust federal program to permanently scrap one million older, less fuel-efficient vehicles.

The United States introduced a similar policy in response to the 2008-09 financial crisis, known as the Car Allowance Rebate System (CARS). The US Department of Transportation reported nearly 700,000 older, polluting vehicles were taken off the road. The program's initial budget was \$1 billion and expected to last about 6 months. However, the program was so popular that the funding allocation was exhausted in just 2 weeks. Congress then authorized another \$2 billion to keep the program going – showing its massive support among consumers.

Attached is a presentation outlining a proposed national vehicle scrappage program highlighting its environmental, economic and safety benefits.

The second item for consideration is to maintain a focus to control costs for businesses. As entrepreneurs, automobile dealers appreciate certainty as much as possible. At this moment, any tax increase or severe spike in other operating costs out of our control would be counterproductive. Things like taxes, energy costs and other provincially mandated items should be frozen at this time.

Once again, thank you for the opportunity to present before the Committee.

In closing, please accept my best wishes.

Sincerely,



Frank Notte
Director of Government Relations

cc: Tim Reuss, President and CEO; Canadian Automobile Dealers Association



Serving the Interests of Ontario
New Car and Truck Dealerships
for over 100 years.

Trillium Automobile Dealers Association
50 Leek Crescent, Suite 2B, Richmond Hill, ON L4B 4J3
Tel: (905) 940-6232 • 1-800-668-6510 • Fax: (905) 940-6235
www.tada.ca