



**Written Submission for the Pre-Budget
Consultations in Advance of the 2021 Budget**

By: The Fleet Management Association



- **Recommendation 1:** That the federal government create a national scrappage program to incentivize vehicle purchase post-COVID-19, stimulate the economy and reduce greenhouse gas emissions.
- **Recommendation 2:** That the government increase the 2021 automobile deduction limits and prescribed rates for determining the taxable benefits on automobile operating expenses from \$800 to \$1,100 to keep up with inflation.
- **Recommendation 3:** That the federal government allocates additional funding to the national incentive program for zero-emission vehicles (iZEV) to ensure the continued success of the program and to accelerate the electrification of the Canadian fleet.
- **Recommendation 4:** That the Government of Canada continue looking at innovative methods to help Canadians to update their skills based on new and cleaner technologies.



NAFA at a Glance

NAFA is that national voice for fleet administrators across Canada and the United States. NAFA's Members are key fleet decision-makers — corporate, government (municipal, provincial or federal), and public service entities (public safety, law enforcement, educational institutions, and utilities). The association represents fleet executives responsible for more than 4.6 million vehicles which include Sedans, SUVs, Vans, Light-, Medium- and Heavy-Duty Trucks, and Specialized Highway and Non-Highway Equipment. NAFA Associate Members represent companies which have products or services, such as vehicles, aftermarket equipment, and service shops, to offer to Regular Members.

Canadian Vehicle Scrappage Program Proposal

A national scrappage program will provide a financial incentive to Canadians to replace their older vehicles for newer and greener vehicles. A well-designed and well-funded program would have a significant economic benefit, increase consumer safety as well as help reduce GHG emissions by replacing older polluting vehicles with new and greener vehicles. Vehicle scrappage or vehicle retirement programs have been adopted by several countries across the globe, including Canada for many years. Germany, for example, implemented a highly successful program post-financial crisis in 2008, which not only helped their auto sector emerge from the recession but also provided environmental benefits.

Governments saw an opportunity through vehicle scrappage programs to help enhance their environmental agenda by aiding consumers to retire their older higher polluting vehicles. In some cases, the scrappage programs offered cash strictly to retire the vehicle, or in other cases, governments offered cash for the purchase of a new and cleaner vehicle.

The current economic challenges facing Canada and the automotive industry also present an opportunity for an effective national vehicle scrappage program to complement other economic stimulus initiatives. With roughly ten million vehicles on the road that are twelve years and older, there is an opportunity to incent Canadians to retire these old high polluting clunkers and purchase new vehicles, stimulate consumption post-crisis and support auto manufacturers and vehicle dealers across Canada.

Prior to the unprecedented global economic slowdown, much of the public policy focus in the developed world with regard to the automotive industry has been to incentivize production and consumer demand for 'greener' vehicles such as zero-emission vehicles.



According to the American Council for an Energy-Efficient Economy, it takes 15 years for half of the vehicle stock to turn over, and 30 percent of vehicles of a given model year remain on the road for 20 years. An effective national vehicle scrappage program can help better achieve emission targets and stimulate the economy.

In a Canadian context, the auto and fleet industry supports a national vehicle scrappage program for two primary reasons;

- 1) It will complement the Government's stimulus package and catalyze vehicle demand post-crisis. It will also provide the support needed to reboot the auto industry and help local dealers and vehicle manufacturers in Canada**
- 2) It will help accelerate the turnover of the entire motor vehicle fleet to better align with Canada's aggressive GHG reduction goals.**

Recommendation: That the federal government create a national scrappage program to incentivize vehicle purchase post-COVID-19, stimulate the economy and reduce greenhouse gas emissions.

Increase the deduction limits for automobile

While the fleet industry has done a good job at keeping overall costs down, the automobile deduction limit and prescribed rate for determining the taxable benefits on automobile operating expenses has not changed the current limit of \$800 since it was initially set in 2001. Adjusted for inflation, this represents \$1,112 in 2020 dollars.

Combined with the pressures of the COVID crisis and ensuing economic downturn and uncertainty, accessing funds at reasonable cost will prove more challenging, in particular for mid to smaller fleet lessors, which will lead to increased financial pressure on running a commercial vehicle fleet.

NADA therefore recommends the government increase the deduction limit for 2021 to \$1,100. This can help soften the economic blow from the COVID crisis and free up much needed capital in the market.

Increasing the deduction limit for automobile operating expenses will encourage urgently needed capital investment within Canada at a time when our capital investment has fallen far behind other developed countries.¹ As a result, our businesses are less competitive and our workers are less

¹ For more information, please s. Robson, W.B.P. (August 2019). [Thin Capitalization: Weak Business Investment Undermines Canadian Workers](#), Commentary No. 550, C.D. Howe Institute.



productive. In a dynamic global economy, we need more capital investment to keep our economy growing.

Capital investments boost the economy over the short-term while laying the foundation for long-term growth. These investments raise output, increase wages over time, and increase tax revenues for government.²

Recommendation: That the government increase the 2021 automobile deduction limits and prescribed rates for determining the taxable benefits on automobile operating expenses from \$800 to \$1,100 to keep up with inflation

More funding for the national incentive program for zero-emission vehicles (iZEV)

Though ZEVs continue to be a niche vehicle class in Canada, demand for them is growing. However there is a lack of infrastructure and consumer awareness that limit demand for ZEVs in the Canadian marketplace. There's a clear role for the federal government to address some of the shortcomings in the domestic ZEV market.

We are pleased by the government new national rebate program for ZEV (iZEV) and funding to develop a network of charging stations across the country. These investments will make ZEVs more affordable for Canadians and increase demand. The uptake in the program has been quite strong so far.

Recent data released by Transport Canada shows that close to 50,000 claims for reimbursement have been submitted with 95% of the claims coming from Quebec, British Columbia and Ontario. At this pace, the \$300 million allocated to the program will not be sufficient to support the increased demand for ZEVs. Evidence suggests a strong correlation between government incentive and demand of zero-emission vehicles. Upfront cost remain a key barrier to adoption. The government needs to allocate additional funding to the program to ensure continued success of the iZEV program and accelerate the electrification of the Canadian fleet.

Recommendation

- **That the federal government allocates additional funding to the national incentive program for zero-emission vehicles (iZEV) to ensure the continued success of the program and to accelerate the electrification of the Canadian fleet.**

² S. more information on <https://www.growwithcapital.ca/>



Continuous Improvements to Canadian Skills Development

Canada continues to face the issue of the lack of qualified technicians to service vehicles as changes in technology have changed the repair and maintenance workspace. With advances in vehicle technology, mechanics more and more are required to have computer skills to be successful in the profession.

Many fleets across Canada today still maintain their own internal garages at which their mechanics are usually long-time employees. With the rapid changes in vehicle technologies, including shifts to more automated vehicles and zero emission vehicles (ZEVs), fleet administrators continuously need to help retrain their mechanics to stay up-to-date with skills necessary for these new technologies. Fleets are now replacing their end-of-life vehicles and are being forced to refit their operations with updated equipment. With many of the skilled mechanics nearing retirement and junior technicians still needing continuous skills development, fleets face the challenge of properly maintaining their vehicles.

Furthermore, the economic downturn in Western Canada continues to impact many of the fleet administrators in the region. Many of the large companies in the area rely on different fleets to be successful in their industries. With a continued push for emission reductions and the adoption of alternative energy sources, the Government of Canada has a responsibility to retrain those that are displaced and focus them into new career paths.

NAFA was encouraged by the Government of Canada's announcement in Budget 2017 of the creation of a new national organization to support skills development and measurement in Canada. By the organization identifying skills sought by Canadian employers such as fleet administrators and by exploring innovative approaches to skills development, NAFA was hopeful that these ongoing challenges could be resolved. We continue to urge the government to look at innovative methods to encourage the retraining of technicians so that fleets are continuously well maintained to support the broad range of industries that rely on us.

Recommendation

- **Fleet administrators support industries all across Canada that account for billions in economic growth and tax revenue. NAFA recommends that the Government of Canada continue looking at innovative methods to aid Canadians to update their skills based on new and cleaner technologies.**