

# Employer e-bike purchase support schemes

## INTRODUCTORY QUESTIONS

### 1. WHY IS THE GOVERNMENT INVOLVED IN PROMOTING E-BIKE UPTAKE?

The purpose of New Zealand's transport system is to improve people's wellbeing and the liveability of places. Among the targeted outcomes are environmental sustainability (including a low carbon transport system) and healthy people. E-bikes support both of these core outcomes. When replacing car use, e-bikes deliver a significant carbon 'saving'. And by doing so they help people to become more active, especially those people who would not be willing or able to use non-powered bikes.

### 2. WHAT IS AN EMPLOYER E-BIKE PURCHASE SUPPORT SCHEME?

This is a new type of scheme emerging in New Zealand. It involves an organisation facilitating a bulk buy of e-bikes for its employees (and possibly its own fleet too) at a discounted price. Participating employees receive a salary advance or loan (of up to \$2000) towards their e-bike purchase, which they then pay back through automatic deductions from their salary over the course of an agreed period (eg a year). Effectively this is an interest-free loan.

Such schemes have been used recently by multiple organisations, including Tauranga City Council and Whakatāne District Council. The schemes have been successful in overcoming the financial barrier to purchasing an e-bike while also providing multiple other benefits to participating employees (health and wellbeing, time savings, emissions reductions) and their organisations (emissions reductions, mobility for meetings, fewer sick days, team morale, healthier employees).

### 3. WHO IS INVOLVED?

Three key groups or entities are needed to create a successful e-bike purchase support scheme: the organisation itself, participating employees and an e-bike supplier.

### 4. WHY WOULD AN ORGANISATION CONSIDER INTRODUCING ONE?

Employer e-bike purchase support schemes achieve multiple outcomes at once. A key one is that they help to overcome the barrier of high upfront cost, by spreading the cost over time. They deliver a tangible benefit for employees in facilitating a purchase that in turn enables better employee health and wellbeing outcomes, as well as commuting time and cost savings. These benefits are available across age groups and flow through to employees' workplaces.

As well as the health and productivity of their employees, such schemes also deliver benefits more directly to organisations. When e-bikes (either personal or fleet) are used for work-based travel (ie to meetings), they enable time and cost savings for the organisation, as well as reducing carbon dioxide emissions, contributing to corporate sustainability goals.

### 5. WHAT IS THE BUSINESS CASE?

The surprising thing about an e-bike purchase support scheme is that its costs are minimal. Some administration time is necessary to organise and manage the scheme. This is typically met as a special project through existing teams or personnel, including finance, payroll, HR & sustainability.

The other main financial cost is allocating the interest foregone by advancing salary or providing a preferential (typically zero) rate loan to employees.

On the other hand, the benefits that accrue to employees and to the organisation can be significant (although hard to quantify). There is [substantial evidence](#) showing the health benefits of regular cycling, including e-bike use (see [here](#) for examples), but what is harder to assess is how that translates into quantifiable benefits for employers. But it's reasonable to assume a healthier workforce is a more engaged and has fewer sick days.

## 6. HOW DOES THE PAYMENT PROCESS WORK?

Typically, the organisation provides a salary advance or loan payment (with no or low interest) to the participating employee (of up to \$2,000) which is used to pay the e-bike supplier.

For the salary advance approach, \$2000 is the maximum amount that organisations can advance to their employees without incurring Fringe Benefit Tax (see p23 of Internal Revenue's FBT guide [here](#)). The employee uses the funds to pay the e-bike supplier.

For the loan approach, there is no maximum amount although \$2,000 is a typical figure. If the loan is provided at a preferential rate then the benefit is liable to FBT.

An employee paying back this amount (\$2000) over the course of a year (eg 26 fortnights), at zero interest rate, would incur a salary deduction of approximately \$80 per fortnight. The FBT liability for the employer, per participant employee, would be approximately \$30 for the year (based on zero interest loan to the employee and a prescribed rate of 5.77%).

## 7. WHAT ARE THE KEYS TO A SUCCESSFUL SCHEME?

For the procuring organisation, there are three key considerations:

- To batch together employee purchases (or bulk buy) to receive the best deal (discount) from your e-bike supplier. This requires organising trial/demo days and announcing 'a window' with an end-date for employees to place their order.
- To organise relevant teams within the organisation - most likely HR, Payroll & Finance - to facilitate a smooth purchase and repayment process. Gaining support from one or more senior managers is key.
- To have really clear and engaging communications with employees, from the right level, to initially gain interest and then make the process easy.

For participants in a scheme, the key consideration is to have sufficient information on available e-bike options and the opportunity to test ride them during a trial/demo day. E-bikes are encouraging people to cycle who are not comfortable or enthusiastic about conventional cycling.

For e-bike suppliers, clarity around timings and expectations (eg of trial/demo days, purchase windows) is key. Thankfully, many e-bike suppliers are becoming familiar with these schemes and are set up to provide accordingly.

## ABOUT E-BIKES

### 8. WHAT IS AN E-BIKE? ARE ALL E-BIKES THE SAME?

An e-bike is distinct from a conventional bike because it has a motor (typically in the rear wheel hub or connected to the crankshaft/pedal component), a battery (typically in the frame or above the back wheel), and a control unit on the handle bar.

E-bikes ride, and often look, like regular bikes. But electric bikes can carry you further and faster, with less effort (and sweat!). The range of e-bikes depends on the battery capacity and age. Typically they provide a range of 40kms, but this varies according to topography (hills) and desired speed.

There are multiple e-bike options available, including commuter/city-riding e-bikes, off-road e-bikes, cargo e-bikes, foldable e-bikes, etc. Organisations should ask potential suppliers about the range of e-bikes they are able to provide at a discounted price. Employees interested in participating in a scheme should be offered options that suit their requirements and preferences.

As e-bikes come in a range of styles they have broader appeal. People in some demographics (eg older people) may well be attracted to e-bikes, but not non-powered bikes.

### 9. HOW MUCH DO E-BIKES COST?

Good quality e-bikes for commuter/city-riding purposes start from approximately \$2,000-\$2,500 and range up to \$5000 (with some premium models almost double that). There are also mountain e-bikes and specialist (eg foldable, cargo) e-bikes available in New Zealand.

Some models are available for under \$2,000 but these are generally not recommended as they usually have lower quality components. The old adage applies - 'you get what you pay for'. In terms of running costs, e-bikes are very low cost. To fully charge an e-bike battery from empty only uses about 10-15c worth of electricity, which provides about 40km of range. So running costs per 1000kms are in the range \$2.50 and \$3.75 (compared with about \$220 for a mid-range petrol car). Associated carbon dioxide emissions over the same distance have been estimated at approximately 1kg (compared with 245kg for a car).

## ELIGIBILITY

### 10. WHO CAN BUY E-BIKES IN THIS KIND OF SCHEME?

In general, the e-bike purchase support scheme is aimed at permanent employees (ie those who receive a salary). They are able to take advantage of the salary advance or loan and spread the cost of purchase over time.

But others, such as contractors and family members of employees, could be offered the opportunity to place an order and receive the bulk buy discount. However, they would need to make full payment at the time of purchase.

### 11. WHY ARE ONLY E-BIKES COVERED IN THESE SCHEMES?

The prime purpose of the scheme is to overcome the barrier of the higher costs of e-bikes, by providing the salary advance to enable purchase.

Whilst there is nothing in principle preventing organisations from providing a salary advance for a bulk purchase of conventional bikes, or a combination of conventional and e-bikes, cost of conventional bikes is not typically a barrier. A key argument in favour of targeting this scheme at e-bikes is their superior capacity to induce new people to cycling and to displace car trips, both for commutes and for work meetings, compared with conventional bikes.

## FURTHER DETAILS AND CONSIDERATIONS

### 12. WHO PROVIDES THE E-BIKES?

The e-bikes are supplied by a single retailer (supplier) that the organisation has chosen to purchase through. The chosen supplier should be one that can meet the requirements of the managing organisations' scheme. These requirements typically include offering demo rides/trial days, a bulk buy discount; good range of models and available stock; and post-purchase support. One further consideration for organisations may be the range of e-bikes a supplier can offer discounts on as part of the deal.

To maximise the bulk buy discount and simplify the contractual arrangement, employees are therefore not free to choose an e-bike from any retailer.

### 13. WHAT ARE THE HEALTH AND SAFETY CONSIDERATIONS?

Organisations only have liability under the Health & Safety at Work Act when the employee is carrying out a task

for the organisation (eg riding to a meeting). Commuting is not captured under this Act. There are several ways – including online learning modules, test-rides & safety programmes – through which organisations can help ensure the safety of employees while they use e-bikes for work purposes.

It is good practice for organisations providing e-bikes through this type of scheme to ensure that its e-bike supplier provides appropriate safe cycling advice (including a full safety briefing) as part of the process.

For more information check out the [BikeReady](#) programme and the Workplace Cycling Guide [Staying Safe](#) Staying Safe section.

### 14. WHAT ARE THE INFRASTRUCTURE CONSIDERATIONS?

In general, workplaces looking to encourage or accommodate cycling should provide secure storage facilities for the bikes of their employees during the day. Lockers, changing rooms and showers are also highly valued by cyclists. As you might expect, these remain the main requirements of e-bikers too.

Three things that may be worth consideration in conjunction with an e-bike bulk purchasing scheme for employees are:

- Locations for charging batteries (standard 3-pin sockets)
- Expanded parking areas, and
- Bike stands and racks suitable for e-bikes.

The former is probably unsurprising although it may be less of a requirement for general commuters, as e-bikes can typically travel at least 40kms before needing a charge (actual range depends on the use of the motor which varies depending on topography and desired speed). E-bike batteries can also be disconnected and removed from the bike, enabling charging at desks or in offices.

Consideration may also be needed on expanding existing bike parking areas, as e-biking has proven attractive to a range of demographics (age groups and fitness levels) that aren't known for their inclination towards conventional cycling. Further, many e-bikes are just that bit bigger and bulkier than most conventional bikes, requiring slightly more space to manoeuvre them comfortably.

The [Cycling parking and planning and design guide](#) provides more detailed information on bike parking.

## 15. WHICH ORGANISATIONS HAVE ALREADY TRIED THIS SCHEME IN NEW ZEALAND? WHAT DID THEY FIND?

As of May 2019, e-bike purchase support schemes have been introduced by several organisations, including Tauranga City Council (TCC). An e-bike bulk purchase scheme (with upfront payment) has also been implemented for students and employees of Massey University.

In 2017, TCC led the way with the first known e-bike purchase support scheme in New Zealand. Its scheme resulted in over 50 employees purchasing an e-bike.

Of those who participated, 58% now ride to work 4-5 days a week. An additional 24% riding 2-3 days a week. 72% of participants used to travel to work primarily by car. 100% of TCC's survey participants would recommend others try riding an e-bike to work!

While almost all (92%) of participants now use their bikes to commute, significant percentages are also using them for leisure & social activity (51%) and exercise (38%).

## 16. HOW MUCH WILL THESE SCHEMES HELP WITH REDUCING CARBON EMISSIONS?

There is strong evidence that these types of schemes are having a significant positive impact. For example, of the 39 respondents to Tauranga City Council's post-purchase survey, 72% (28 people) had replaced their car commute (of average length 12km) with an e-bike commute.

Assuming 225 working days in a year, those 28 people will together emit about 200kg of carbon dioxide from their commute over the year, compared to about 35,000kg by car! Together their running costs sum to about \$450 (electricity for charging), rather than around \$30,000 for the petrol to run their cars.

## 17. CAN AN ORGANISATION PIGGY-BACK ON THESE SCHEMES TO PURCHASE E-BIKES FOR FLEET?

Absolutely! Tauranga City Council did so and saved itself enough to offset the cost of the interest it lost through advancing salary to its employees for their own e-bike purchases. Auckland Council has also purchased e-bikes for its fleet, spurring interest and enthusiasm for e-bike ownership amongst its employees.

## 18. SPECIAL CONSIDERATION FOR PUBLIC SECTOR ORGANISATIONS

Legislation prohibits many public sector organisations from lending money (specifically the Public Finance Act and the Crown Entities Act). For these organisations, workplace e-bike schemes need to be adapted to remove the salary advance or loan features. Financing offers through suppliers can be an alternative. Each public sector organisation should seek their own legal advice on whether or not they are able to offer a salary advance or loan to their employees.