

You have been asked by a local charity organisation Salvation Army to give ~~advice on their~~ decision to purchase a new vehicle. They need a delivery vehicle that can deliver large household items each day. The pūtake of Salvation Army includes an emphasis on climate change mitigation while maintaining financial viability. Any purchase will require the Salvation Army to source money beyond the current resources of the organisation.

Explore the financial decision making process by:

1. Describing the Salvation Army's need to purchase a delivery vehicle

The Salvation Army requires a delivery vehicle to allow it to continue operating a range of services. It operates food banks, transitional housing and family stores, and provides emergency services after natural disasters. It requires a large vehicle to transport furniture, food, clothing, and medical supplies to people in need. Without a vehicle, many people seeking the Salvation Army services would be affected (e.g. people with financial difficulties, natural disaster victims). A delivery vehicle would be a long-term investment for the Salvation Army.

2. Identifying a range of delivery vehicles (2 vehicles) that could be purchased by the Salvation Army.

There are two vehicles the Salvation Army is considering purchasing. The first option is the [2012 Mitsubishi Canter](#), a \$40,239 diesel truck. The second vehicle is the [2015 Nissan e-NV200](#), an electric van costing \$26,989.

3. Explaining the values that the Salvation Army will consider when selecting the vehicle for purchase

The Salvation Army has seven fundamental values. The three values most relevant when deciding to purchase a vehicle are "care for others", "think holistically", and "do the right thing". Caring for others is one of its most important values, as it explains the organisation's purpose. When choosing a vehicle, the Salvation Army must care for others by using its money wisely and prioritising funds on people in need.

When purchasing a vehicle, the Salvation Army should think holistically and consider all factors contributing to its decision. For example, the diesel truck has greater capacity and can transport more goods, but it has high greenhouse gas emissions, which does not align with the Salvation Army's values on climate change. The Salvation Army can display its value of doing the right thing by considering the vehicle's safety to ensure it meets safety requirements and keeps its workers safe while ensuring the vehicle aligns with its values and mission.

- ### 4. Explaining why the particular delivery vehicle was chosen instead of the alternatives, which should include
- an explanation of costs
 - financing options

c. the Salvation Army's values

The 2015 Nissan e-NV200 was chosen because it cost \$13,250 less and has lower short and long-term costs than the diesel truck, as it is exempt from road user charges while also having significantly lower costs for electricity and registration. A breakdown of costs is provided under question 5 below. Lower upfront and ongoing costs allows the Salvation Army to use its funds on people in need which displays its values of caring for others and doing the right thing. Although the diesel truck had more space, the electric van aligns with its views on caring for the environment and climate change mitigation.

The vehicle's purchase could be financed in several ways, including:

- using existing funds from its reserves
- fundraising
- sponsorship of the vehicle
- a bank loan
- a commercial vehicle loan

While either vehicle could be financed in the same ways the Salvation Army is likely to find it easier to fundraise or obtain sponsorship for the electric van, given the public's desire to support the reduction in greenhouse gas emissions.

5. Using a budgeting tool relevant to the decision-making process,

Comparative budget for vehicle purchase and operating costs

	Vehicle 1. Diesel Truck		Vehicle 2. Electric Van	
Capital Cost:	\$	\$	\$	\$
Vehicle purchase	\$40,239	\$40,239	\$26,989	\$26,989
Funded by:				
Fundraising (sausage sizzles, raffles, charity auction)	\$25,000		\$15,000	
Sponsorship	\$10,000		\$10,000	
Reserves or profit from family stores	\$5,239	\$40,239	\$1,989	\$26,989
Operating Cost (per annum):				
Fuel/Electricity	\$6,250		\$1,125	
Insurance	\$1,000		\$1,000	

Maintenance/WOF/Registration	\$1,120		\$1,029	
Road user charges	\$1,900	\$10,270	0	\$3,154
Funded by:				
Sponsorship	\$5,000		\$2,000	
Reserves or profit from family stores	\$5,270	\$10,270	\$1,154	\$2,654
Surplus or deficit		0		0

6. Explaining the financial and non-financial consequences of the decision for the Salvation Army, which should include:
- an explanation of financing options for the purchase of the delivery vehicle

The Salvation Army has chosen to finance the vehicle through fundraising, sponsorship and using reserves or profit from its family stores. See the table above for a detailed breakdown of costs and revenue.

Fundraising for a specific item like a van is likely to appeal to the public, however it can be time and resource consuming. Because the electric van requires \$10,000 less for fundraising, there will be less fundraising needed.

Sponsorship is another efficient financing option, where an organisation gives funds in exchange for signwriting or an advertisement on the vehicle.

Another option is to fund the vehicle using reserves or profits from family stores, which make reasonable profits. Using profits to finance the vehicle would be justified as the vehicle will pick up and deliver goods to and from the family stores.

A bank would be an option to purchase the vehicle but because interest would need to be paid this would not be a good use of Salvation Army funds, which could be used in better ways.

The time spent fundraising and seeking sponsorship brings an opportunity cost for the organisation. Funding it through existing reserves or profit from family stores lowers the opportunity cost.

- the short and long term costs of the financing options

The short-term costs relate to the initial purchase of the vehicle and could be financed as outlined in 6a) above.

The longer-term costs include ongoing costs such as maintenance, costs to seek further sponsorship (if the initial sponsors pull out), depreciation, loan interest (if any) and fuel/electricity.

Since the Salvation Army has chosen the Electric Van, long-term costs are drastically reduced in comparison to the diesel truck. This is because it won't have to pay road user charges or diesel. Additionally, electric vehicles have lower maintenance costs due to fewer moving parts, and depreciation is less because the purchase cost was \$13,250 lower.

7. Justifying (why) the decision of purchasing the delivery vehicle in relation to the Salvation Army's pūtake and stakeholder perspectives

The Salvation Army's decision considered its pūtake and stakeholder perspectives. Stakeholders agree that it should display kaitiakitanga by reducing its climate change contribution and maintaining financial stewardship by choosing a cost-effective option when purchasing the vehicle (volunteers and donors will appreciate this as they give time and money to the organisation). Because the Nissan NV-200 is electric, less costly, and therefore requires less family store funds compared to the diesel truck, the Salvation Army is displaying kaitiakitanga. The choice is responsible and effective, building the Salvation Army's reputation and attracting donors and the community to the organisation.

Volunteers agree that the Nissan NV-200 should be purchased because less fundraising is required, and they wouldn't have to spend as much time and effort fundraising.

The Salvation Army relies on revenue from family stores to support its activities. Because fewer family store funds are needed to fund the van the Salvation Army could spend its resources to continue carrying out its pūtake - displaying manaakitanga by supporting and standing alongside those in need and ensuring they are healthy and safe.

8. Justifying how the decision of purchasing the delivery vehicle was made, linking this to the underlying values of the Salvation Army, pūtake, and stakeholder perspectives.

The decision on which vehicle to purchase would be made by the Territorial Management Board, the Salvation Army committee led by Mark Campbell, which is assigned to making important decisions for the organisation. The committee weighed up the advantages and disadvantages of the electric van versus the diesel truck to ensure the decision consistently aligned with the Salvation Army pūtake. The committee also considered the lower upfront and lower ongoing costs along with better environmental outcomes.

In particular, the committee considered:

- Lower upfront costs (for the vehicle purchase) - which allows the Salvation Army to use its funds to meet its organisational mission
- Lower ongoing costs - no road user charges, electricity cheaper than diesel, lower maintenance costs - also allows the organisation to use funds to meet its organisational mission
- Better environmental outcomes - no emissions from the electric van