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Clean Car Standard and Clean Car Discount

ATNZ welcomes the opportunity to provide comment on the proposed Ministry of Transport policies to introduce a clean car discount (CCD) and clean car standard (CCS) to New Zealand. ATNZ has been operating as an importer and distributor of used Japanese vehicles into the New Zealand market for over 20 years. During this time we have imported and sold into New Zealand over 120,000 vehicles. ATNZs perspective is unique as our customers are the used car dealers, not the NZ public. Our customer range is wide and diverse covering those who sell high end to budget vehicles, those who sell predominantly V8's to those who sell exclusively EVs, supplying dealers from Kaitaia to Invercargill and most places in between.

ATNZ supports the Ministry's objective to move the New Zealand vehicle fleet to one with lower emissions. The benefits of reduced emissions both to the pocket of the buyer through improved fuel economy to the environment through lower emissions are well known.

ATNZ has serious questions over whether the proposals to introduce a clean car discount and a clean car standard will have the impact being suggested in the discussion document, in particular:

- Recognition in the documentation that the feebate scheme is revenue neutral, those who purchase the higher emitting vehicles will pay a fee to those who purchase low emitting vehicles who will receive a rebate with no analysis included anywhere I could see of who the people will be who will lose and benefit in this scenario. ATNZs analysis indicates that:
  - the losers will be those in the lower socio economic groups who are one vehicle families who need a larger multi-purpose vehicle and those in the rural communities who need a vehicle to meet their lifestyle requirements;
  - the winners will be those in higher socio economic groups who are purchasing a second vehicle or those in urban areas who are commuting
  - there will be a wealth transfer from poor to rich, rural to urban
- A key underlying assumption that the rebate paid to the consumer purchasing the lower emission vehicle will be retained by the consumer. ATNZs analysis indicates that due to the

basic economic principle of supply and demand it is likely that the rebate for used vehicles will not remain with the consumer but will in fact be transferred to the supplier in Japan. There will be a transfer of wealth from the consumer in NZ to the supplier in Japan.

- The research presented in the documentation is inconsistent and at times inaccurate. While in some parts the appropriate disclaimers are in place stating that the research is constrained by a lack of time, information and resources, in others it is presented as undeniable fact when it is anything but.
- Recognition in some parts of the documentation that the NZ market is unique in the world importing 100% of its vehicles with a large proportion of these vehicles being used not new, yet in other parts research is presented from other markets in the world that sell 100% new vehicles as being 100% relevant to NZ. NZ is 100% reliant on its source markets for new and used vehicles and the technology they use when manufacturing vehicles with very little, and in the case of used vehicles no input into the decision making process over what that technology is. The proposals then seek to introduce supply side constraints to the used car supply over which suppliers have zero influence.
- The rush to get "something" done so NZ can be seen to be meeting its international obligations is leading to a proposal that has wide ranging implications for the used vehicle industry and a number of potential unintended consequences.

ATNZ does not have the resources to undertake the substantive statistical analysis and research to backup up a number of the comments being made in this submission. What ATNZ does have is 20 years of experience importing vehicles into the NZ market, and with over 120,000 vehicles supplied has an in-depth understanding of the NZ market, what consumers want, the impact of government policies in the past, as well as an integral knowledge of supply from Japan. This experience and knowledge gives substantial weight to the anecdotal evidence we have included in our submission.

Wealth Transfer from Poor to Rich, Rural to Urban

The documentation stresses consistently that the feebate system being proposed will be revenue neutral, that the all fees collected from the purchase of high emitting vehicles will be distributed as a rebate to those purchasing low emitting vehicles. For the scheme to work one person will be paying a fee, and another will be receiving a rebate. Nowhere in the documentation can I see any analysis of whom these people are likely to be – what person is likely to be paying the fee and what person is likely to be receiving the rebate?

ATNZ has attempted to do our own research to answer these 2 questions. We sourced the Motor Vehicle Register and attempted to identify the vehicles that would be fee paying and rebate qualifying, with a view to trying to identify who these people were – rich or poor, urban or rural based on where the vehicle was being registered. We found this impossible due to the fact that the MVR has no record of vehicle CO2 emissions, in fact it was only made a requirement for importers to enter this data from June of this year. Even if the CO2 information was available the MVR is grouped into 18 areas, but big cities like Auckland are all grouped together so it is impossible to see data within that group. So while it may be possible to do a comparison between urban and rural areas it is difficult to do one for poor v rich.

The anecdotal evidence we had from all customers we spoke with in preparing our submission, now this is a customer base of over 50 dealers who import between them over 2,000 vehicles a month, can be summarised in 2 key points:

1. The fee would be paid by those in the lower socio economic areas who purchase larger engine sedans, people movers and SUVs as they are multi-use in an affordable price range (viewed as up to $12,000) to those in high socio economic areas who purchase more expensive hybrid and electric vehicles often as a second vehicle. The views can be best be summarised this very unscientific way - if I go to Pak and Save Manukau and wonder through the car park I see predominantly larger older petrol sedans, people movers, and SUVs being driven by people who cannot afford to pay any fee, almost no EVs (unless someone from the nearby Council, Electricity company of larger business has dropped in) and a few hybrid (mostly Prius, being driven as ubers). If I go to the car park of Farro Fresh in New Lynn I see many more EVs and hybrids, and if I do see a larger petrol sedan or SUV it is late model and driven by someone who appears to be able afford to pay the fees being proposed.
2. The fee would be paid by those in the rural areas who purchase larger engine vehicles to suit their environment and lifestyle needs to those in urban areas who purchase hybrid and electric vehicles to suit their environmental and lifestyle needs.

The documentation addresses the issue of the lower socio economic groups and urban v rural in a number of places. Table 3 of the Social Impact Assessment for the Clean Car Discount seems to be used as the basis for the conclusion that is used throughout the documentation and is summarised in the Q&A – "It is not correct to assume that low-income households are more likely to buy high-emitting vehicles and thus incur fees under the Clean Car Discount. The Ministry of Transport's analysis shows that compared to other households, a lower proportion of the vehicles low income households buy are high emitting vehicles.

I have reviewed this analysis to try and identify why the conclusion can be so at odds with what every used car retailer in NZ tells me, I come back to the unscientific car park analogy above to know the analysis cannot be right. Without access to the source data and the methodology used it is difficult to comment with any authority. But it only takes a quick glance at the table to see that there could be issues with the data. The table shows that a ***higher*** percentage of households in the lowest income bracket (13.6%) purchased a new vehicle than purchased a used vehicle (13.3%). This means that the data shows that more of the lowest income households in NZ purchased a new vehicle than purchased a used vehicle. This does not make any sense. Now there could be a perfectly good explanation for this anomaly in the data, in that maybe those low income households are asset rich and income poor and spending the cash in the bank on a new vehicle is an appropriate decision for these households but I am sure they are not the households the Ministry is talking about when they say there will be minimal impact on those in the lower socio-economic groups. I also note that there is a note to the data saying that it excludes vehicles that do not have a record of fuel consumption, which could have an impact, it is hard to know as the table does not state how much data has been excluded. These observations cast a doubt over all the subsequent analysis in the documentation on lower income households as this data is used consistently to say there is limited impact on lower income households, data which is completely at odds with what the industry is telling us.

The SIA goes onto say that these low-income households would be similarly affected to the better-off households because of the similar patterns of vehicle choices by emission band. While the SIA does note that these low-income households are impacted more by the higher prices of vehicles resulting from the policy, it assumes that these lower income households are able to switch, they have the choice to buy a low emissions vehicle and receive the clean car discount to offset this price increase. I am sure that everyone would prefer to switch into a vehicle that is newer, safer, more fuel efficient and able to meet their needs, but the reality is these lower income households are currently driving the best car they can afford and they do not have the choices higher income households do.

As for the concession that vehicles over $80,000 will not qualify for a rebate "to prevent the scheme transferring wealth to New Zealanders who are able to buy vehicles the cost $80,000 or more" I think it reinforces the point I am making. This means people purchasing vehicles under $80,000 are being transferred wealth, some would argue a $20,000 vehicle is an expensive vehicle. The question is who is this wealth being transferred **FROM**, my anecdotal research shows overwhelmingly that some of it will be transferred from those in lower socio economic groups.

Another point I would like to make is the way the low-income households are presented in the data. Figure 1 of the SIA on the Clean Car Discount implies that it is only 9% of households that are low-income that would be impacted. It makes it seem that only a few people will be impacted. But this is 9% of the 42% of households that indicated they might purchase a new vehicle, so the fact is that it is 20% of the vehicles entering the fleet might be purchased by the low income households. Given the 50% of the vehicles entering the fleet are new, and assuming that no low-income household will be able to afford a new vehicle, this now means that **40%** of used vehicle imports might be purchased by low income households. This is in fact a large, not a small, group of potential buyers for used imported vehicles for whom the impact of the policy cannot be clearly understood.

Further to this the analysis makes no reference to the new ESC restrictions that are being introduced in Mar 1 of next year that will prevent from being imported any vehicle that does not have ESC. The impact of this rule is clearly shown in Appendix 6 of the SIA for the Vehicle Purchase Feebate Scheme that lists the top 20 2009-2010 used vehicles imported into NZ which is used to justify the conclusion that low income households will not be impacted by the proposal. The analysis presented ignores the fact that the new ESC will mean some of these popular vehicles cannot be imported, and if they can it will only be later, more expensive vehicles that have ESC. I have attached a table in ***Appendix One*** below showing our understanding of whether these models can be imported and from what year, along with an estimated CO2/km.

There is a lot less discussion on the documentation on the rural households and the impact of the clean car discount on them. The SIA summarises that without any change in vehicle preference slightly more than half of rural households would pay a fee. As with the analysis of the low-income households this seems to be counter intuitive. Using the unscientific carpark test and applying it any sports club in rural New Zealand, or the local supermarket it defies normal observation to be concluding that nearly half of the vehicles in that car park are low emissions vehicles that would qualify for a rebate or no fee.

The impact on rural NZ seems to be justified on the basis that this is ***only*** 5% of households. But these rural households make up 10% of the households that might purchase a vehicle new to the fleet. Again the justification given is that these rural households will not incur the fee should they make the choice to purchase a lower emissions vehicle. This issue of choice is addressed briefly in the Regulatory Impact statement but not widely discussed in the rest of the documentation. You only need to take at Trade Me to see the impact on rural NZ, of the nearly 4,000 hybrid of electric vehicles for sale in NZ nearly 3,500 (90%) of them are for sale in the main metropolitan centres of Auckland, Hamilton, Wellington, Christchurch and Dunedin. Only 10% are available for sale in the rural areas. Compare this to diesel vehicles where there are 15,000 for sale on Trade Me with 10,000 (67%) for sale in the urban areas with the remaining 5,000 (33%) for sale in the rural areas. For most in rural communities there is no choice as the vehicle is needed to fulfil a specific purpose.

In the RIA the issue is raised that there is a risk from a fuel efficiency standard that the higher cost of vehicles will lead consumers extending the lifetime of existing vehicles in the fleet that are high emitters, posing an increased risk to road safety.

The Cabinet paper raises the issue of households that require a larger, heavier vehicle for work or other purposes, concluding that is limited data to assess how the clean car discount would impact these households. I would submit that the data is there – the number of larger, heavier vehicles registered each year is recorded, the emissions on those vehicles can be calculated along with the fees those people who have no choice will be forced to pay.

Wealth Transfer NZ to Japan

The fundamental basis of the Clean Car Discount proposal is that the rebate paid will be passed onto the consumer. There seems to be no appreciation of the Japanese used car market and basic economic theory. The whole basis of the CCD is to increase demand for EVs and hybrids that are more fuel efficient with lower emissions. These vehicles are available in limited supply in Japan NZs main source of used vehicles. Currently the price NZ dealers can pay for these vehicles in Japan is limited by the retail price of the vehicle in NZ, what the consumer will pay for that vehicle. If the consumer is receiving a rebate for the vehicle then the NZ dealer can pay more for the vehicle in Japan.

As an example if a 2016 24kw Nissan Leaf with 12 bars done 30kms is worth $19,990 today, the expectation is that a $2,000 rebate will encourage more customers to purchase the vehicle as the net cost to them is only $18,000. However dealers are competing for these vehicles in Japan with markets all over the world, if the NZ dealer knows he can sell this vehicle for $19,990 in NZ with the addition of the rebate he knows he can pay an extra $2,000 for the vehicle as the net cost to the consumer is still only $19,990. The NZ dealer wants the sale and will be prepared to pay extra to secure the vehicle, knowing its value in NZ is $19,990. Just because the government introduces the rebate does not mean that the vehicles price will drop accordingly.

There is a strong risk that the policy will result in dealers paying more for vehicles, consumers paying the same price in NZ they were before the rebate and the fees being paid by the consumers purchasing high emitting vehicles transferring to the suppliers in Japan selling the low emission vehicles.

This scenario highlights why the analysis mentioned in the documentation from France, Norway, Denmark, and the UK is simply not relevant to NZ as none of those countries have such a large volume of used vehicle imports from a single market. The implications for NZ are so much more diverse and intricate as market forces drive the decision making of consumers and importers.

Research

While the Ministry has presented some weighty analysis to back up the policy there are a number of areas where the research is lacking, questionable, and confusing. The MOTs own preface to the social impact studies state that due to lack of information, time and resources, it excluded a number of key elements including the purchasing patterns of households, analysis of geographic location and the impact of other emissions related interventions. The report is marked as “preliminary” meaning even the Ministry acknowledges there is much work to do. Yet in other parts of the documentation the analysis is presented as factual, strongly supporting the CCD and CCS.

ATNZ believes there are a number of areas where the research presented by the Ministry has anomalies and results that are confusing and potentially misleading, including:

1. The documentation includes reference to the fact there will be a sufficient supply of used vehicles compliant with the 105 CO2/km standard – “Japan is our largest supplier of new and used vehicles and the average new vehicle entering its fleet had emissions of 105g CO2/km in 2014”. My understanding is that this average includes Kei Cars, 660cc vehicles that are sold

in Japan and make up 40% of the new car market but are totally unsuitable for the roads in NZ due to their size and safety. As these vehicles are smaller engine they will have dragged the average down. This analysis should be done excluding Kei Cars to see what the true average in Japan is and what will be available to the NZ market.

2. There is regular reference in the documentation to the high emissions of vehicles entering the NZ fleet - "The average vehicle entering our fleet emits around 180 grams of carbon per kilometre. This compares with 105 grams of carbon per kilometre in Japan in 2014". As above the 105 estimate is inaccurate and the use of the reference to the 180 CO2/km throughout the documentation is misleading as the RIA states that this 180 CO2/km is the figure that the manufacturers report for new vehicles, it excludes used vehicles. These figures are then used to conclude that "The Ministry of Transport's projections suggest that under current policies, road emissions will continue to rise until around 2022, due to population and economic growth. This occurs despite the growing uptake of electric vehicles and other low emission vehicles". Reviewing the documentation I cannot find any reference to what the average CO2/km of the used vehicle fleet is – it could be higher, lower or the same, we do not know. I have attached in ***Appendix Two*** below a summary of the trends in the vehicles being imported from Japan you can see quite clearly that the number of EVs and hybrids is increasing rapidly. Note that this data is only based on a sample of vehicles from the Motor Vehicle Register as the full data was too large for the software being used, but it is what the industry would expect to see the trend representing – a rapid increase in EVs and Hybrid vehicles. Given 50% of vehicles entering the fleet are used vehicles, for these rules to be considered without the right data is a massive risk due to the huge impact it will have on the used car industry.
3. Appendix 2 of the Discussion Document lists the government's emission targets and talks about an annual national fleet target starting in 2022 of 161g CO2/km dropping to 105g Co2/km in 2025. I assume that these tables refer to targets for vehicles entering the fleet, rather than a national fleet target as much more dramatic steps would need to be taken to reduce the national fleet to these levels.
4. Appendix 3 of the Discussion Document shows a selection of used car imports and whether they are above the 2025 threshold or below. A point that will be discussed more below is that the majority of the vehicles listed here are not vehicles that importers bring to NZ, that aside the concern I have is that 2 of the most popular hybrid vehicles the Toyota Prius and the Toyota Camry, that the documentations states – "While not classified as an EV, hybrid vehicles **are certainly considered low emission vehicles**" – fall **ABOVE** the 2025 limit line. Now the data seems to indicate that these vehicles will not be subject to penalties and will fall into the "zero" band, but there will be no discount paid for these low emission vehicles. Of more concern for the motoring public is the selection of vehicles that fall beneath the line. Currently there are only 3 that are imported into NZ in any volume, the Nissan Leaf, the e-NV200 and the Outlander PHEV. The question that needs more analysis is that if the Prius and the Camry won't qualify under the 2025 standard then what will and what vehicles will be available to make up the 150,000 vehicles New Zealanders will be wanting to import in 2025? The research seems to suggest that to avoid a penalty the public will need to switch to EVs but to which ones as there is currently limited choice available in a price range that most New Zealanders can afford.
5. Appendix 4 of the discussion document lists the proposed results of the feebate scheme for used vehicles. Of the vehicles listed in the table the majority are ones that are never imported from Japan as they are not available (Territory, Colorado, Falcon, Commodore, Sportage, Superb, Cruze, Fabia, i30, Volt, and from Mar 1 next year Tiida), or rarely imported as they are

not popular (C3, MIEV, Megane, Fiesta, Mondeo) or expensive (740e, C350, Cayenne, GS300, RX450, Vitz Hybrid, Pulsar), the only vehicles that are regularly imported (Odyssey, Xtrail, Dualis, Mazda 3, CX5, Corolla, Outlander, Jazz/Fit) all fall on the fee paying side of the band with only the Prius, Insight and Outlander PHEV falling into the zero or discount band. In ***Appendix Three*** below I have listed some popular vehicles and the potential penalty payable based on data supplied by VIA. As you can see the penalties on these popular NZ vehicles are substantial and it is difficult to see how importers are going to be able to offset these as there is not enough lower emission vehicles available to offset. The costs to importers could be significant.

6. The Cabinet Paper states that - "Light vehicles that enter the New Zealand market over the next five years will lock in emissions out to at least 2043. This is because a new vehicle is driven until it is, on average, 19 years old". Basic maths tells you that this cannot be correct. While this would be accurate of 100% of the vehicles entering the fleet are new vehicles, but the documents acknowledge that 50% of the vehicles entering are used vehicles, their average age is 8 years so their impact will only last on average 11 more years, not until 2043.
7. The Cabinet Paper states that New Zealand "does not enjoy access to the many fuel efficient vehicle models sold overseas" This is a problem throughout the whole documentation, the analysis mixes new and used vehicles and assumes they are the same leading to misleading statements. Through imports New Zealand has access to all vehicles across the world, provided they meet the required safety and emissions standards. The only reason such vehicles are not being imported is because there is no demand or they are not economic to import. The Nissan Leaf is a good example. The first used Nissan Leaf was imported into NZ in 2012. While the new Nissan Leaf struggled to sell in NZ the used imports have been in large demand, due to the price point they can be sold at making them more affordable.
8. The RIA states that "Internationally, the uptake of EVs is still largely driven by the policy environment set by individual governments. An uptake of EVs is rare in jurisdictions that do not have significant fiscal incentives to encourage the purchase of EVs. An international review of EV uptake shows that financial incentives, and particularly reductions in up-front purchase costs, are the incentives that impact most strongly on EV purchase decisions. Non-financial incentives play a supporting rather than a leading role". The RIA ignores the reality of what has happened with EV update in NZ, which must be one of these "rare" cases as the number of EVS registered on the roads in NZ started without significant government support and incentives and has grown in numbers driven by the demand from the NZ consumer and supported by the used car import industry.
9. The RIA does onto document the non-monetised benefits of the new policies which completely ignore the impact of restricting availability of imports:

    - road safety improvements from a more modern fleet – history tells us if we restrict supply to more expensive vehicles ie EVs and Hybrid that the quality of those vehicles entering the fleet will be lower – lower auction grade, higher km vehicles

    - lower vehicular noise and air pollution – again with the lower grade higher km vehicles entering the fleet these savings would be impacted

    - reduced vehicle maintenance costs – importer need to meet a price point the NZ consumer can afford, to do this we will we import EVs and hybrids that have done more kms and have less battery life, the risk is the maintenance costs could be higher as batteries need to be replaced so the vehicle can continue to operate

10. The documentation is consistent in its view that the main reason for the discount being paid to EV owners is the argument that the high price of EVs is the main factor preventing the public from purchasing them. Again this is incorrect and another example of how a new car problem is being applied to the used car industry. Currently on Trade Me there are 942 Nissan Leafs listed for sale, of these 677 are listed under $20,000, 331 under $15,000 and 86 under $10,000. By way of comparison our records show that there were less than 600 Leafs sold at auction in Japan in the past month in total, there are more Leafs for sale in NZ on any given day than there are in a month in Japan. Price is not the obstacle for used vehicles as much as new. While price is always a main consideration, the issue for used vehicles is finding the range of low emission vehicles that meet the needs of the NZ consumer for a price they can afford. Currently the selection of low emission vehicles is not there to meet the needs of the NZ consumer.

Feebates & the NZ Market

All of the research I have read on feebates indicates that while the focus of feebates in the media tends to fall on consumer behaviour (which is generally accepted to be a minor consequence) the real point of such schemes is to make an impact on manufacturers who will be incentivised to improve technology across all of their vehicles.

Any discussion around introducing a feebate into the NZ market needs to recognise that the main objective of a feebate system is to influence manufacturer's behaviour, not consumers. While the documentation proposes the view that NZ is not receiving the most fuel efficient vehicles from the manufacturers the CCD and CCS are not going to change this. NZ manufacturers will have very little influence over the technology going into vehicles supplied to the NZ market. The cost of the CCS will simply be spread across all the vehicles entering into the fleet and vehicle prices will increase accordingly across the full range.

In the case of used vehicle importers we are not the manufacturers and have absolutely no say on the technology in the vehicles being manufactured. While it could be argued that we have a say over the vehicles we import to NZ this is 100% consumer driven, we import what consumers want and these needs change on a daily basis. Our buyers are bidding through Japanese auctions on vehicles every day. Our success rate at auction runs between 3-5%. So for every 1,000 vehicles we bid on we purchase between 30-50. The low success rate reflects a number of factors – some within our control ie our bid price and current inventory levels, but the majority outside of our control - consumer demand in NZ, current unsold stock levels in NZ, vehicle condition, spec and features, NZ compliance rules, as well as Japanese market conditions including strength of the domestic market, competition from other markets in Japan and environmental factors in Japan that range from typhoons, floods, and stink bugs through to nuclear disasters.

Used vehicle importers have a very limited ability to influence what we purchase, at least if we want to have successful businesses. We could restrict ourselves to only purchasing low emission or electric vehicles, but if the demand is not there for the vehicles then the business will quickly fail.

The impact of the CCS could potentially be catastrophic. Even the best intentioned used car importer could manage their emissions up until the end of November, then find a surge in higher emissions vehicles being purchased in December and find themselves left with a huge bill when they are unable to purchase lower emission vehicles as every other dealer scrambles to purchase lower emissions vehicles. Through no fault of their own and even with the best management the importer could face significant penalties.

Other Issues

There are a number of other issues that the documentation highlights and I will summarise the main ones here:

- Definition of importer excludes private importers – Only RMVTs will need to pay the penalties. Companies that sell direct from Japan to the private importer in NZ won't pay any penalty. These companies are not subject to the Consumer Guarantees Act, the companies do not employ staff in NZ, nor spend money in NZ, nor do they pay NZ taxes. This needs to be addressed as otherwise it will provide a huge incentive for people who are not RMVTs to sell these vehicles into NZ and for RMVTs to setup systems to escape the rules, ie importing the vehicles in private names direct to the end user rather than their own name. Particularly when the penalties to be paid are so high.
- Significant inconsistencies between the importer and the consumer – based on analysis I have seen from the VIA there are numerous incidents as shown in ***Appendix Four*** where an importer will be liable for a penalty for importing a vehicle that a consumer receives a discount for. The table shows popular models where based on the rules the importer will be subject to a penalty, while at the same time the consumer is going to a receive a discount. This does not make any sense, especially where the vehicle imported is more fuel efficient than the standard.
- The documentation does not address the impact on the owners of the existing fleet of EV and Hybrid vehicles in New Zealand. The owners of these vehicles will receive no discount for selling their vehicles. They will be penalised as if the assumptions in the documentation are correct and the price of newly imported used EV's reduces up to $2,600 then the value of the same vehicle they own will decrease as much. The owners of the 15,000+ EV's currently in the fleet and those purchasing between now and when the rules are introduced will see the value of their vehicles drop. In addition to the price drop the EV owners will now be required to pay road user charges from January 2022. This is not fair on the early adapters of the technology that have driven the uptake of EVs in NZ. ATNZs existing dealers that specialise in EVs are concerned about how the discount will distort the market encouraging more dealers into a specialist area that is already over supplied, and what will happen at certain times of the year when dealers who need to buy EVs to avoid penalties pay a premium and prevent them from being able to purchase product at an economic price.
- The graph attached in ***Appendix Five*** shows the year of manufacture of the NZ fleet and highlights two peaks that have distorted the vehicle fleet in NZ, one in 1996 and another in 2005. Both peaks are timed to meet government interventions – 1996 the introduction of the frontal impact rules and 2005 the introduction of the exhaust emissions rules. The risk with the rules being proposed is that they create another distortion to the fleet that has an adverse impact for a longer term on the NZ fleet. A prime example of a potential distortion that the documentation does not address is the impact on the sale of lower emission vehicles as consumers wait until the rules are introduced and believe they will qualify for the discount, nor the impact on the sale of higher emission vehicles as consumers rush to purchase them before the rules are in place. The proposal creates the perfect opportunity for a flood of high emitting vehicles and a glut of low emitting vehicles that could spike the average CO2/km and undo the benefits of subsequent years importing of the lower emission vehicles.

- While the problems with using the Japanese standard 105g CO2/km are identified above it is clear that the overall emissions standards in Japan, the major supplier of NZs used vehicles is dropping each year, with the target for 2020 being 82g CO2/km (including Kei cars). This means that the same trend will start to be seen in NZ. As shown below in ***Appendix Two*** this trend is clear in the data of vehicles being imported into NZ. In my view more work needs to be done around the emissions of the used vehicles entering the fleet and the vehicles available in Japan as it is possible that vehicle emissions will naturally decline without government intervention in the manner proposed. Certainly the anecdotal evidence from everyone who attends auctions in Japan is that the change to hybrid vehicles is happening and it is inevitable it will flow through to NZ as every auction has an increasing range and selection of hybrid vehicles. As soon as those vehicles enter the price range that is affordable for the NZ market they will be imported. Unfortunately no government scheme is going to speed this process up, only the normal economic factors of time and depreciation, supply and demand.
- NZ is facing increased competition from other markets for the hybrid and electric vehicles. The later model vehicles face stiff competition from the Japanese domestic market as well as export markets such as Russia, Cyprus, and Malta amongst many others with new ones chasing these vehicles all of the time. The biggest factor over the timeframe in the proposal for the NZ market will be Australia. The Australian government has introduced legislation that allows for the importation of vehicles into Australia under an "environmental" criteria that will allow hybrids and EVs to enter the Australian market. While there are some restrictions on what can be imported the majority of vehicles going into NZ will be able to be imported into Australia. We have already started selling vehicles into the Australian market and the prices being paid are above what NZ is paying.
- The "sweet" spot for the NZ consumer is generally seen to be under $12,000 retail. This is a price the majority of New Zealanders can afford. While there is an increasing number of hybrid vehicles becoming available in this price range there is a very limited selection of EVs. The concern ATNZ has is that the rules heavily restrict what is available in this price range and make a large number of petrol vehicles that do not have low emissions substitutes unaffordable.

Conclusion

I understand the motivation for the CCD and CCS and on the face it all sounds wonderful, incentivise the consumer to purchase fuel efficient vehicles and lets penalise the supplier if they import non fuel efficient vehicles and over time there are more fuel efficient vehicles are purchased and the NZ fleet gets more efficient.

But with any such proposal the devil is in the detail and the more we dig into the detail the scarier it gets. We are a car dealer, we have only touched the surface with our rudimentary analysis, yet the basic research and analysis we have undertaken in the time available (the proposal was released July 9, 2019) working through a mountain of documents raises some serious questions marks over the analysis presented and more importantly over the questions that have not been answered.

These concerns are the highest when it comes to those in lower socio economic groups and rural areas where the analysis presented in some cases is incorrect and in others does not make sense with the result potentially being these groups suffering the most from the introduction of these policies. The concerns are accentuated by the introduction of the new ESC rules March 1 of next year which will

remove a number of affordable vehicles which in the majority have lower emissions from the range of vehicles we can import.

ATNZ understands the need for the government to do something to meet its commitments and that doing nothing is not an option. For ATNZ the first step is to collect accurate data around what is happening with the used car space as it seems clear that the analysis used to justify the CCD and CCS for the new car industry does not apply the same to the used car industry and can have dramatically different impacts. We only just started collected CO2 information on used imports in June of this year, there seems to be very little information around the CO2 levels of the used imports in the fleet, those entering the fleet and those exiting the fleet. The data on the CO2 of vehicles in Japan needs to be filtered to focus on the vehicles that relevant for the NZ market to determine the impact of the proposal policies. Then the other issues raised above around anomalies in the data and the key questions that have not been answered need to be addressed.

While this data is being collected and questions are being answered the used car industry could work with the government on a voluntary standard that the main supply channels would commit to meeting with an understanding if this was not met then stricter rules or a suitable alternative would follow. This would need to be supported by a strong consumer awareness campaign as for the industry to reduce emissions on vehicles being imported the consumer must be willing to purchase these vehicles. Such a campaign would be more effective if it was being supported by the used car dealers who were promoting the benefits of lower emission vehicles not just for the environment but financially and had the material to present and discuss with consumers.

I have reviewed the documentation around the other options you have considered and was surprised to see that the option I thought would have a strong impact and would be supported by industry a vehicle scrappage scheme, was summarised as being one that “won’t have a significant impact” on emissions. I would have thought that removing a high emitting vehicle from the fleet and replacing it with one with lower emissions which would have a much faster impact on vehicle emissions than a the current proposal to incrementally introduce lower emitting vehicles to the fleet. It would have the effect of increasing consumer safety and reducing the age of the fleet. Such a proposal would seem timely given the “wall” of vehicles that entered the fleet after the previous government intervention on frontal impact standards in 1996 are now at the age where the remaining vehicles should be exited from the fleet.

ATNZs position is that before any proposal is introduced there should be more detailed analysis undertaken by the Ministry to confirm that the points raised in our submission and summarised above do not happen.

Regards

Mike Tyler
Director
ATNZ

Appendix One – Impact of New ESC Rules on Top 20 Used Imports

Make Model	Availability	CO2/km
Nissan Tiida	None	N/A
Suzuki Swift	2013+	110
Honda Fit	Hybrid or 2013+	125
Toyota Wish	Yes	145
Mazda Demio	2015+	95
Toyota Vitz	2014+	110
Toyota Prius	Yes	75
Mazda MPV	Turbo Only, 2014+	210
Mazda Axela	2016+	120
Toyota Hiace	2018+	236
Toyota Estima	Hybrid or 2013+	201
Honda Odyssey	2011+	185
Nissan Note	2016+	105
Toyota Mark X	Yes	185
Subuaru Legacy	2011+	164
Mitsubishi Outlander	Yes	170
Mazda Premacy	2010+	165
Nissan Dualis	Yes	175
Honda Stream	Yes	180
Toyota Corolla	2011+	130

Appendix Two – Sample of Sales of Hybrid and Electric Vehicles

Hybrid

Vehicle Model	2014	2015	2016	2017	2018	2019	Grand Total
PRIUS	213	303	497	748	778	483	3022
AQUA			18	64	232	318	632
CAMRY	57	70	74	76	117	69	463
COROLLA			49	56	166	119	390
OUTLANDER	41	22	30	93	98	95	379
FIT	3	6	3	25	86	121	244
INSIGHT	5	13	14	28	76	84	220
CIVIC		16	20	42	45	39	162
RX450H	11	18	34	29	35	33	160
RAV4					1	123	124
NIRO					87	31	118
NX300H	19	18	23	24	17	14	115
CT200H	26	14	7	6	21	8	82
ESTIMA	3	6	10	20	16	22	77
SAI			3	14	20	27	64
CR-Z	1	7	2	10	9	20	49
HARRIER		4	7	3	18	13	45
ES300H	9	6	4	4	11	8	42
AXELA					16	24	40
ALPHARD	5	6	4	3	11	7	36
Others	29	36	37	59	170	187	518
	422	**545**	**836**	**1304**	**2030**	**1845**	**6982**

Electric

Vehicle Model	2014	2015	2016	2017	2018	2019	Grand Total
LEAF	18	42	126	370	595	402	1553
I3		7	12	33	34	12	98
E-NV200			4	32	17	14	67
MODEL S		4	1	24	21	10	60
MODEL X				27	26	7	60
IONIQ				22	21	8	51
GOLF			2	6	14	27	49
KONA					18	30	48
NIU			2	3	11	1	17
ZOE			2	5	7	3	17
2X2				2	5	8	15
I-MIEV			2	2	6	4	14
I-PACE					1	13	14
TEG HUNAN					10		10
Others	5	8	26	40	62	73	214
	23	**61**	**177**	**566**	**848**	**612**	**2287**

TOTAL	**445**	**606**	**1013**	**1870**	**2878**	**2457**	**9269**
% increase		**36%**	**67%**	**85%**	**54%**	**46%**	

Appendix Three – Potential Penalties for Popular Used Imports

Make	Model	Year	Variant	ShortModelCode	CO2/km	Limit	Difference	Penalty	2021 Fee
Honda	CR-V	2012	24G	DBA-RM4	197.9	103.0	94.9	$4,747	1,100
Honda	Odyssey	2011	M・S	DBA-RB3	185.2	103.0	82.2	$4,108	-
Honda	Stream	2009	X Stylish Package	DBA-RN6	171.4	95.0	76.4	$3,818	-
Mazda	Atenza Sports	2010	25S	DBA-GH5AS	244.3	103.0	141.3	$7,063	1,300
Mazda	Axela Sports	2012	15C	DBA-BL5FW	147.2	95.0	52.2	$2,609	- 500
Mazda	Mazda6 sedan	2010	25C	DBA-GH5AP	241.7	103.0	138.7	$6,935	
Mitsubishi	Galant Fortis	2011	Ralliart	CBA-CY4A	216.6	103.0	113.6	$5,681	1,200
Mitsubishi	Lancer	2011	GSR Evolution 10	CBA-CZ4A	220.8	103.0	117.8	$5,889	1,200
Mitsubishi	Outlander	2011	24G	DBA-CW5W	194.6	112.0	82.6	$4,129	1,100
Mitsubishi	Pajero	2011	GR	DBA-V93W	267.0	130.0	137.0	$6,849	1,400
Nissan	Dualis	2013	20G FOUR	DBA-KNJ10	194.6	103.0	91.6	$4,579	1,100
Nissan	Elgrand	2011	350Highway STAR	DBA-PNE52	255.1	130.0	125.1	$6,256	1,400
Nissan	Juke	2010	16GT	CBA-F15	176.6	95.0	81.6	$4,081	-
Nissan	Murano	2011	350XV FOUR	CBA-PNZ51	246.9	122.0	124.9	$6,245	1,300
Nissan	Skyline	2011	250GT a Package	DBA-V36	201.4	103.0	98.4	$4,921	1,200
Nissan	X-Trail	2010	20S	DBA-NT31	166.4	103.0	63.4	$3,169	-
Subaru	Forester	2010	2.0XT	DBA-SH5	176.6	103.0	73.6	$3,681	-
Subaru	Legacy B4	2011	2.5GT	DBA-BM9	191.3	103.0	88.3	$4,417	1,100
Subaru	Outback Legacy	2011	2 5i L Package	DBA-BR9	173.9	103.0	70.9	$3,547	-
Toyota	Alphard	2011	240X	DBA-ANH20W	205.0	122.0	83.0	$4,150	1,200
Toyota	Blade	2009	Base Grade	DBA-AZE154H	179.4	103.0	76.4	$3,819	-
Toyota	Estima	2012	X	DBA-ACR50W	197.9	112.0	85.9	$4,297	1,100
Toyota	Land Cruiser Prado	2009	TX	CBA-TRJ150W	270.1	130.0	140.1	$7,006	1,400
Toyota	Mark X	2009	250g F Package	DBA-GRX130	176.6	103.0	73.6	$3,681	-
Toyota	RAV4	2008	X	DBA-ACA36W	171.4	103.0	68.4	$3,418	-
Toyota	Vanguard	2010	240S	DBA-ACA38W	191.3	103.0	88.3	$4,417	1,100

Appendix Four – Inconsistencies between Importers and Consumers

Make	Model	Year	Variant	ShortModelCode	CO2/km	Limit	Difference	CO2 Penalty	2021 Credit
Honda	Fit	2010	RS	DBA-GE8	124.8	85.0	39.8	$1,989	-$1,100
Honda	Fit Shuttle	2011	15C	DBA-GG7	123.4	85.0	38.4	$1,922	-$1,100
Mazda	CX-3	2015	XD Touring	LDA-DK5AW	124.0	95.0	29.0	$1,452	-$1,100
Mazda	CX-5	2016	4WD 25S	DBA-KF5P	157.3	103.0	54.3	$2,713	-$200
Mazda	Mazda6 sedan	2012	25S L Package	DBA-GJ5FP	147.2	103.0	44.2	$2,209	-$500
Mitsubishi	Outlander	2012	24G	DBA-GF8W	159.5	103.0	56.5	$2,823	-$200
Mitsubishi	RVR	2011	M	DBA-GA4W	145.3	95.0	50.3	$2,516	-$500
Nissan	Dualis	2010	20S	DBA-KJ10	153.1	95.0	58.1	$2,904	-$200
Nissan	Serena	2010	20X	DBA-C26	157.3	112.0	45.3	$2,263	-$200
Subaru	Forester	2010	2.0X	DBA-SHJ	151.1	103.0	48.1	$2,403	-$200
Subaru	Impreza G4	2011	2.0i	DBA-GJ7	145.3	95.0	50.3	$2,516	-$500
Suzuki	Swift	2012	Sports	CBA-ZC32S	147.2	85.0	62.2	$3,109	-$500
Toyota	Auris	2009	180g s Package	DBA-ZRE152H	138.3	95.0	43.3	$2,166	-$800
Toyota	Corolla Fielder	2010	S	DBA-ZRE142G	123.4	95.0	28.4	$1,422	-$1,100
Toyota	Wish	2009	1.8X	DBA-ZGE20G	140.0	95.0	45.0	$2,250	-$500

Appendix Five – NZ Light Vehicle Fleet