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Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

*\*Note - N/A (see below)*

Listed below are the most commonly used grounds from the OIA.

**N/A - Document released in full. No information has been withheld for this proactive release**

Section	Description of ground
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> <li>(i) the Government of any other country or any agency of such a Government; or</li> <li>(ii) any international organisation</li> </ul>
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

# Stage 2 Cost Recovery Impact Statement

## Cost Recovery for administration of the Clean Vehicle Importer Standard

### Agency Disclosure Statement

This Cost Recovery Impact Statement has been prepared by the Ministry of Transport. It provides an analysis of options for recovering the costs of administering the Clean Vehicle Importer Standard (the Standard) on a user-pays basis.

### Key gaps

There are no key gaps noted in this analysis.

### Assumptions

This Statement assumes a generic importation rate of between 270,000 to 300,000 vehicles per year into New Zealand and that the New Zealand Transport Agency (NZTA) will continue to administer the Standard.

It also assumes that the cost of administering the Standard will remain in line with the forecast estimate of \$5.46m per year.

### Dependencies

There are no dependencies inherent to this analysis.

### Constraints, caveats or uncertainties concerning the analysis

In April 2024, Cabinet agreed that the Standard should move to a user-pays model. The Land Transport (Clean Vehicle Standard) Amendment Act 2024 was included in Budget Night legislation and allows for regulations to be made to set fees to recover the costs of administering the Standard.

No Government funding was allocated to administer the Standard as part of Budget 2024. Land transport revenue was used to fund the Standard for 2024/2025.

In August 2024, the Minister of Transport directed that the Standard move to a full cost recovery model. Therefore, partial cost recovery was not considered as an option.

Section 5 of the Land Transport (Clean Vehicle Standard) Amendment Act 2024 (which inserts section 167BA(2) to the Land Transport Act 1998 from 1 July 2025) only permits importers or people registering a motor vehicle to be charged a fee to recover the costs of administering the Standard.

Given these decisions, this CRIS was restricted to analysis of the design of a cost recovery model – on the basis the fee is calculated (per vehicle or per vehicle importer account), at what point in the importation process the fee is charged, and whether the fee is a single flat fee or a variable fee.

### Time and expectation constraints

Cost recovery decisions must be made prior to current funding expiring at the end of the 2024-2025 financial year. Regulations must be made by 31 May 2025 to come into effect by 1 July 2025.

### Further work required before policy decisions can be implemented

Cabinet will need to take policy decisions on the design of the cost recovery scheme. It is envisaged that Cabinet will make these decisions in Q1, 2025. Cost recovery will come into effect on 1 July 2025. NZTA will make any required changes to the Standard's system prior to this date.

*Nick Paterson, Environment Manager, Ministry of Transport*



18 February 2025

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TE MANATŪ WAKA MINISTRY OF TRANSPORT

## Executive summary

The Standard reduces CO2 emissions and motoring costs through its annual CO2 targets that progressively reduce. Vehicle importers are required to pay a penalty, if they do not meet the targets across the vehicles they import or through the purchasing of credits from other importers.

Suppliers can sell any mix of vehicles they choose. However, to meet the annual targets they must sell sufficient volumes of vehicles with emissions below their targets to offset vehicles with emissions above their targets.

The Standard applies to all light vehicles except motorcycles, trailers, mopeds, temporary imports, and those not needing entry certification. Exclusions include disability vehicles, motorsport, scratch-built, special interest vehicles, and vehicles over 40 years old.

The Standard was established under Part 13 of the Land Transport Act 1998 (the Act). The Crown allocated \$6.4m to fund costs of administering the Standard for 2024/25. As a result of a recently concluded change process, NZTA can deliver the Standard for \$5.46m per year.

There is a long-established principle that when users access a regulated transport service, the user should pay the cost of the provision of that service. In April 2024, Cabinet agreed that the Standard should move to a user-pays model. The Land Transport (Clean Vehicle Standard) Amendment Act 2024 was included in Budget Night legislation and allows for regulations to be made to set fees to recover the costs of administering the Standard.

Section 5 of the Land Transport (Clean Vehicle Standard) Amendment Act 2024 (which inserts section 167BA(2) to the Land Transport Act 1998 from 1 July 2024) only permits importers or people registering a motor vehicle to be charged a fee to recover the costs of administering the Standard. As a result, seeking to recover costs from a broader pool of motorists was not considered as part of this analysis.

In August 2024, the Minister of Transport directed that the Standard move to a full cost recovery model. Therefore, partial cost recovery was not considered as an option.

Given these decisions, this CRIS was restricted to analysis of the design of a cost recovery model.

This analysis examines three considerations for the design of the cost recovery scheme:

1. **Basis of payment:** this referred to what NZTA fixes the administration fee to – either on a user (importer account) basis or a vehicle basis.
2. **Variability of payment:** this considered whether and how NZTA should differentiate the administration fees charged for different vehicle or account attributes. For example, this could include different costs for new or used vehicles, or as raised during consultation by some feedback, whether vehicles with lower emissions output should be charged less than higher emitting vehicles.
3. **Point of payment:** this referred to the point in the import process where NZTA will collect the administration fee to cover administration costs, and by extension who pays the administration fee. If the fee is charged at registration the person registering the vehicle will pay (this could be the person purchasing the vehicle). If the fee is charged directly to the importer, either as part of the adding the vehicle to the Clean Car Standard (CCS) system (or at some other point such as invoicing in arrears) the importer will pay the fee.

The options for each consideration were analysed against the cost recovery principles of efficiency, equity and simplicity.

Our analysis concludes that a flat fee charged on a per vehicle basis at the point of vehicle registration is the most appropriate design to recover the cost of administration.

This new fee is proposed to be set at \$19.53 (excluding GST) per vehicle<sup>1</sup>, calculated based on an average of 279,600 vehicles imported between 2015-2024 and a forecast cost to administer the Standard of \$5.46m per year.

This fee will only be charged when an imported vehicle that is subject to the Clean Car Standard is first registered in New Zealand.

### Status quo

Upon establishment of the Standard, Cabinet agreed to provide funding for the establishment and administration costs associated with the Standard on an ongoing basis. Through Budget 2024, Cabinet agreed to return all Crown funding from 2024/25 onwards in anticipation of transition to a user-pays system from 1 July 2025. The Minister of Finance and Minister of Transport agreed to fund costs via land transport revenue on a temporary basis (2024/25 only) while cost recovery work is undertaken. As a result, the costs of administering the Standard in 2024/25 are being funded by land transport revenue, under section 9(1A) of the Land Transport Management Act 2003.

The Government passed the Land Transport (Clean Vehicle Standard) Amendment Act in July 2024. As a result, sections 167BA and 167BB of the Land Transport Act give NZTA the power to recover the Standard's costs.

Consultation on recovering the administration costs of the Standard was undertaken from 19 November 2024 to 10 December 2024.

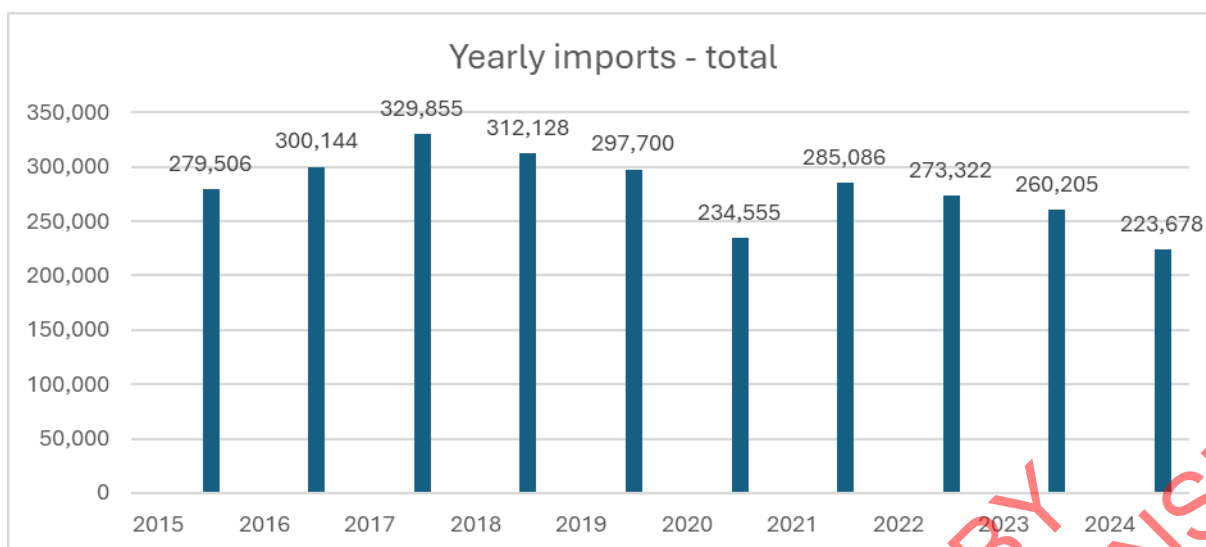
### The vehicle fleet

The size of the New Zealand light passenger fleet (comprising light passenger vehicles and light commercial vehicles such as utes sold to the public is approximately 4.2 million vehicles.

Between 2015 and 2024 an average of 279,600 vehicles were imported into New Zealand each year.

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<sup>1</sup> \$22.46 (including GST)



Historic data indicates the volume of vehicle imports exhibits periods of uneven peaks and troughs over time. In recent years, imports have also been affected by the COVID-19 pandemic and related global supply chains effects, and other external shocks such as volatility of oil prices. In broad terms, the volume of vehicle imports in any given year can be affected by economic factors, regulatory factors, market factors and logistic and supply chains factors. Economic factors (such as changes in driving age population, income, and exchange rates) and market factors (such as consumer preferences) can affect the demand for vehicles.

On the other hand, regulatory factors (such as vehicle design and operation standards) and market factors (such as global vehicle market and the availability of used vehicles in the domestic market) can affect the overall availability of vehicles. As these factors co-exist, the exact nature of how various factors interact in a manner to affect the volume of vehicle imports is difficult to determine. The Ministry is conducting research to better understand and project future volume of vehicle imports. Ongoing monitoring of the vehicle imports profile is important to support this research as well as to understand the revenue risk related to the Standard.

## Cost Recovery Principles and Objectives

Choices for implementing cost recovery generally centre around the collection and administration of a charge. To guide these decisions the following principles have been developed from the Treasury and Office of the Auditor General guidance: efficiency, equity and simplicity.

This results from the desire to use the Crown funding originally used for the Standard to apply to other government policy, and to design the cost recovery mechanism in a manner that minimises costs (efficiency). Given the objective of having users of the Standard pay for its administration it is important to ensure that any fee is fair and simple to understand.

The principles for this CRIS are outlined below along with the rationale for their selection.

Chosen principle	Why it is being applied
<b>Efficiency:</b> are decisions on volume and standards of services, and costs to recover and when to recover, consistent with the efficient allocation of resources? What efforts have been made to ensure that there are	Cost recovery allows the Government to reprioritise the funding currently used to administer the Standard. Choosing efficiency supports the argument to implement cost recovery, but the principle should also be applied to the design of the



reasonable constraints on charging, in order to demonstrate efficiency, particularly in the context of variable or hourly fees? Have options for pricing been considered in terms of what would be most efficient?	cost recovery mechanism itself. The principle of efficiency has been chosen to ensure that both the system to administer the Clean Car Standard, and the system to recover those administration costs can demonstrate to users of the system that they are not paying more than is necessary.
<b>Equity:</b> have the impacts of the proposed or existing cost recovery regime been identified? Will stakeholders be treated equitably? Have impacts over time been identified?	Implementing cost recovery should be assessed from an equity angle to ensure no unfair disadvantage or advantage is applied via cost recovery. It is also more equitable to charge those who benefit from a scheme as opposed to spreading the cost to the general public via taxation.
<b>Simplicity:</b> is the cost recovery regime straightforward and understandable to relevant stakeholders? Have the costs of participation been kept low and evasion opportunities mitigated to acceptable levels?	Charging for a previously funded regime should be straightforward and understandable. Applying a simplicity lens to recovering the costs of the Standard analyses whether the act of recovery is simple to understand and if participation costs are low.

Policy Rationale: Why a user charge? And what type is most appropriate?

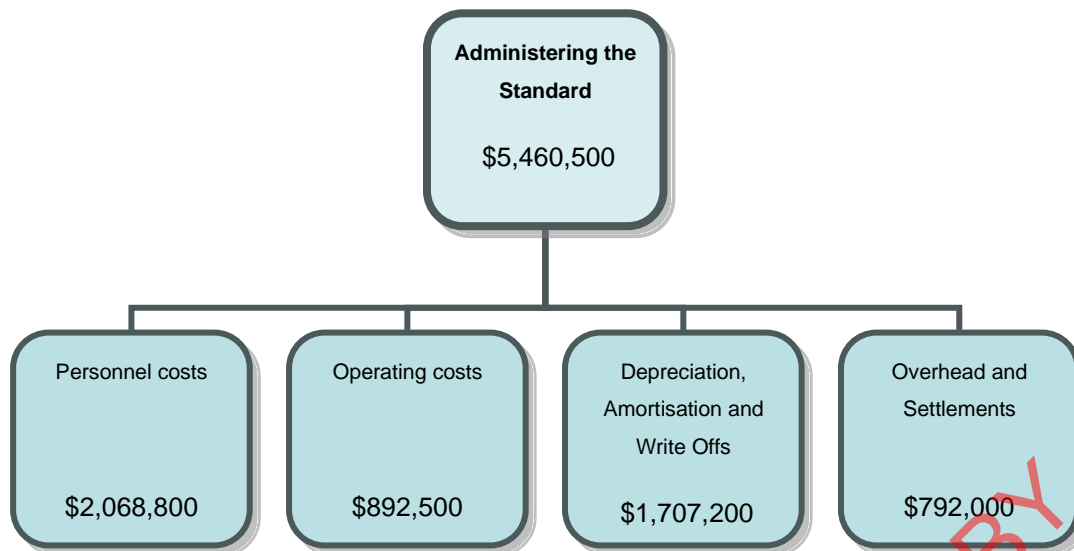
**Why is cost recovery appropriate for the activity (over and above the legal authority to charge)? Why should it be third party?**

There is a long-established principle that when users access a regulated transport service, the user should pay the cost of the provision of that service. For example, motorists paying road user charges (RUC) benefit from their contribution to maintenance of the roads they drive on. They are charged a \$12.44 fee per licence they purchase to recoup the administration of the RUC system. This fee goes towards tasks like processing applications to change distance recorders and hubodometers, setting up purchasing facilities and processing amendments to vehicle types or exemption applications.

It is noted that charging importers directly would likely lead to the administrative costs being passed on to the end consumer. This is because the fee level is likely too low to influence vehicle demand and as such there is no incentive for the supplier to absorb the cost.

**What is the nature of output from the activity?**

Administration of the Standard has multiple cost drivers which are outlined below. The Standard is administered by NZTA's Low Emissions Vehicle (LEV) Operations function.



**Personnel costs** refers to the costs arising (such as salaries) of full-time equivalent staff at NZTA that administer the Standard.

The **operating costs** refers to the cost of administering the Standard's digital platform. They are set at the lowest possible level to maintain it and ensure its smooth operation. Some of these include professional legal advice, costs relating to the online payment of penalties arising from not meeting CO2 targets, postage and debt collection if required, phone line costs and bug fixes on the administration system.

**Depreciation costs** are calculated on a straight-line basis at rates that will reduce the value of the asset (in this case, the online system used to administer the Standard) to the estimated residual value over the useful life of the asset, which has been set at ten years.

**Overheads and settlements** are fixed costs associated with the number of FTE employed directly by NZTA.

Day to day work of the LEV includes:

- Overseeing interactions with vehicle importers required to submit vehicle data to the Standard's online system.
- Resolving issues that may arise for importers, given there are wide disparities in the size and scale of individual importers (from operations importing single vehicles to those importing hundreds per year),
- Proactively engaging with stakeholders to advise them of any upcoming changes, technical outages and the like, and
- Providing technical expertise to importers to aid them in navigating the Standard's emissions rating system.

Although the importation process is largely self-service, the team responsible for the Standard receive a high volume of requests from industry at various stages of the vehicle life cycle. These range from 'how to' queries to disputing vehicle attributes and credit/charge amounts. The team receives an average of 850 phone calls per month which have an average duration of 30 minutes and 40 seconds. In total, 1600 requests for information are received monthly.

The LEV also has an extensive performance and compliance function.

*Regulatory compliance:*



As the Standard is largely a self-service platform data errors occur through human error, system issues or fraudulent activities. NZTA is expected to identify these anomalies, and the LEV unit rectifies any issues found.

#### *Quality assurance (QA):*

This includes quality assurance measures and reporting. Audits are also undertaken of the Standard's users to ensure they are complying with the Standard's required emissions reporting on the vehicles they import.

#### *Performance reporting:*

The LEV are responsible for Official Correspondence inputs, internal operational reporting and external reporting to other departments or the public.

#### *Anti-Money-Laundering (AML):*

NZTA facilitates CO<sub>2</sub> credit trading in the CCS system but does not manage the financial transactions. For importers to be allowed to trade credits, they must comply with the Anti-Money-Laundering and Countering Financing of Terrorism Act (AML/CFT compliant). NZTA engages with a private provider for completing customer due diligence (CDD) checks on importers.

Reporting on credit trading activities including identifying suspicious activities is undertaken to ensure compliance with this legislation.

#### **Administering revenue collected**

NZTA will use a memorandum account to hold funds generated by cost recovery, in line with good practice. The funds raised by cost recovery will only be used to fund administration of the Standard. Each year NZTA publish detailed statements of accounts for these types of funds. This will help assure importers and consumers that the funds are being used for their intended purpose.

If the memorandum account holds a negative balance (i.e., if revenue collected falls below administration cost total), NZTA would require either a Crown funding injection, a loan, using section 9(1A) funding, or a resetting of the fee itself. In any case, NZTA would discuss this with relevant Ministers in the first instance.

#### **Is full or partial cost recovery being proposed? What is the rationale for proposing full or partial cost recovery?**

In August 2024, the Minister of Transport directed that the Standard move to a full cost recovery model. Therefore, partial cost recovery was not considered as an option, and full cost recovery is proposed.

Charging on a full cost recovery basis is consistent with other charges in the transport system that recover administration costs.

#### **What type of fee is being recommended and why?**

A flat fee, on a per vehicle basis, is recommended to recover costs. This spreads the cost in the simplest manner. This provides fee payers with certainty as to the additional cost.

Charging a range of fees was also considered (which could be based on the price of the vehicle, or the size of the importer, depending on options selected from the other considerations). While this can be a more equitable way to recover costs, it is more complex to administer and understand than a flat fee. The additional complexity of administration with variable fees would add costs to the scheme.

**Who will pay the cost recovery charges? Include data on the number and size of businesses, individuals etc, if possible.**

The Land Transport (Clean Vehicle Standard) Amendment Act 2024, has two options for who pays the charges<sup>2</sup>:

- a vehicle importer, and
- an applicant (which can be either a business or an individual) for registration of a Type A vehicle or a Type B vehicle under Part 17 if the vehicle has not previously been registered.

It is proposed that the applicant for registration is the person who pays the charge, and that this charge is calculated on a per vehicle basis. This option is preferred as it is the simplest and most cost effective to administer. It is also more equitable than charging on a per importer basis.

It is acknowledged that the direct users of the system are vehicle importers rather than the person who is making an application for registration (who can be the purchaser of the vehicle). However, we consider that this approach is justified as purchasers are expected to incur this cost – either indirectly through vehicle importers (who are likely to pass the cost on by building it into a vehicle's selling price) or directly through a payment at the point of registration. This is because the fee level is likely too low to influence vehicle demand, reducing the incentive for the supplier to absorb the cost.

There are around 3,000 vehicle importers in New Zealand that could be subject to this fee. The number of importers fluctuates year to year. It is difficult to assess the exact number of combined individuals and businesses that would be affected by a per-vehicle fee paid at registration. However, all cars imported in a given year would be subject to the fee.

**How effectively does cost recovery contribute to the programme's overall objectives?**

The Standard contributes to the Government's committing to achieving net zero emissions by 2050 (one of the nine key targets set by the Government). Securing the financial sustainability of the Standard will ensure it can continue to contribute to emission reductions long-term.

**Cost Recovery Structure**

**Cost recovery amount**

A flat fee charged on a per vehicle basis is the preferred design option.

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<sup>2</sup> Part 172 of the Land Transport Act 1998 provides definitions of Type A and Type B vehicles.

NZTA have undertaken work to reduce the cost of administering the Standard, which prior to a change process cost \$6.4m per year. The Standard costs \$5.46m per year to administer, following NZTA's change process. Fees are to be set on a full cost-recovery basis.

<b>Vehicles imported</b> <i>Yearly average 2015-2024</i>	279,600
<b>Forecasted cost of administering the Standard</b>	\$5.46m
<b>Per Vehicle Fee</b>	<b>\$19.53 (excluding GST)</b>

### Assessment Criteria

The following principles have also been used to undertake an assessment of potential cost recovery options:

- **Efficiency:** are decisions on volume and standards of services, and costs to recover and when to recover, consistent with the efficient allocation of resources? What efforts have been made to ensure that there are reasonable constraints on charging, in order to demonstrate efficiency, particularly in the context of variable or hourly fees? Have options for pricing been considered in terms of what would be most efficient?
- **Equity:** are charges proportionate to the use of the system?
- **Simplicity:** is the cost recovery regime straightforward and understandable to relevant stakeholders? Have the costs of participation been kept low and evasion opportunities mitigated to acceptable levels?

These options were analysed against the options consulted on by NZTA, who consulted both the public and specific organisations representing the new and used vehicle importer sector. Analysis of their received feedback follows later in this CRIS.

- **Basis of payment:** this referred to what NZTA fixes the administration fee to – either on a user (importer account) basis or a vehicle basis.
- **Variability of payment:** this considered whether and how NZTA should differentiate the administration fees charged for different vehicle or account attributes. For example, this could include different costs for new or used vehicles, or as raised during consultation by some feedback, whether vehicles with lower emissions output should be charged less than higher emitting vehicles.
- **Point of payment:** this referred to the point in the import process where NZTA will collect the administration fee to cover administration costs, and by extension who pays the administration fee. If the fee is charged at registration the person registering the vehicle will pay (this could be the person purchasing the vehicle). If the fee is charged directly to the importer, either as part of the adding the vehicle to the CCS system (or at some other point such as invoicing in arrears) the importer will pay the fee.

### Assessment of a basis of payment against cost recovery objectives

Objectives	Per vehicle basis	Per importer account basis
<b>Efficiency</b>	Charging per vehicle would be the most efficient, if the fee is collected at the point of registration. This is because the charge can be added to an existing fee collection point, and no resources would be expended on creating a new system to recover costs.	A per importer account would be less efficient as a new system to collect fees from importers would need to be established, increasing the costs of administration.
<b>Equity</b>	If paid by an importer, this option is more equitable as it is more proportionate to the importers' use of the system that administers the Standard, and the revenue derived from importing vehicles.	<p>A flat fee charged to each importer would not be proportionate to their use of the system that administers the Standard, or the revenue derived from importing vehicles.</p> <p>A variable fee – such as charging differing amounts for different sized vehicle importing businesses – would be more equitable but would be more complex and costly to administer.</p>
<b>Simplicity</b>	Both options can be simple to administer and understand. The simplicity of the options is dependent on whether a flat fee is charged (per vehicle imported or per importer account) or whether these fees are variable.	

#### Assessment of variability of payment options against cost recovery objectives

Objectives	Flat fee for all vehicles or importer accounts	Variable cost for vehicles, or importer accounts
<b>Efficiency</b>	Administration of flat fees is more efficient as no resources are required to assess the appropriate level of fee to charge.	Administration of variable fees is less efficient as additional resources are required to assess the appropriate level of variable fee to charge.
<b>Equity</b>	<p><i>Charging importers, on an importer account basis</i></p> <p>Less equitable if charges are incurred on an importer account basis, as it is not proportional to the importers' use of the system that administers the Standard.</p>	<p><i>Charging importers, on an importer account basis</i></p> <p>This option is more equitable, where charges are incurred on an importer account basis, as it is proportional to the importers' use of the system that administers the Standard, or the revenue derived from importing vehicles.</p>

	<p><i>Charging (importers or persons registering a vehicle) on a per vehicle basis</i></p> <p>This option is considered equitable, for charging on a per vehicle basis, as the fee charged is proportionate to the use of the system that administers the Standard.</p>	<p><i>Charging (importers or persons registering a vehicle) on a per vehicle basis</i></p> <p>This option is not considered to be equitable, for charging on a per vehicle basis, as the fee charged is unlikely to be proportionate to the use of the system that administers the Standard. For example, some larger importers will be very experienced and require no support from NZTA. While a smaller importer may need significant support, despite using the administration system less than a larger, more experienced importer.</p>
<b>Simplicity</b>	A flat fee per vehicle or importer account is straightforward and easy to understand. As it is easier to administer a flat fee, this option also keeps the administration costs lower.	A variable fee is more complex to administer and understand. The additional complexity of administration with variable fees would add costs to the scheme.

#### Assessment of point of payment against cost recovery objectives

<i>Objectives</i>	<b>Pay fee on CCS system when accepting the vehicle</b>	<b>Pay the fee as part of vehicle registration</b>	<b>Pay via invoicing to importers in arrears</b>	<b>Pay administration fee on CCS system in arrears</b>
<b>Efficiency</b>	Paying the fee on the CCS system, would be less efficient than collecting the fee as part of vehicle registration, as the CCS system would need to be changed to be able to also collect fees.	Paying the fee as part of vehicle registration is the most efficient, as the fee can be added to an existing fee collection point, and no resources would be expended on creating a new system to recover costs.	Invoicing importers would be less efficient as a new system to collect fees from importers would need to be established, increasing the costs of administration.	Paying the fee on the CCS system would be less efficient as complex changes would be required to the CCS system to collect the fee.
<b>Equity</b>	N/A. The most important equity considerations are whether the fee is incurred on a per vehicle or per importer account basis, and whether the fee is flat or variable.			
<b>Simplicity</b>	This option is simpler to understand than options that	This option is simpler to understand than options that charge in arrears as there is	This option is more difficult to understand than options that	This option is more difficult to understand than options that charge upfront, as there is less for certainty to

	<p>charge in arrears as there is more certainty for the person/business paying the charge on the charges owed.</p> <p>This option is more complex to implement than payment at the point of registration.</p>	<p>more certainty for the person/business paying the charge on the charges owed.</p> <p>Payment at the point of registration is the most straightforward option to implement and administer, which makes this option the lowest cost to implement and administer.</p> <p>Additionally, s167BB of the Land Transport Act 1998 enables regulations to be made authorising applications for registration to be declined if the fee is not paid. This means this option has the lowest risk of evasion.</p>	<p>charge upfront, as there is less for certainty to the person/business paying the charge on the charges owed.</p> <p>This option is more complex to administer than charging at the point of registration.</p> <p>Importers will have less certainty on expected payments if invoiced in arrears.</p>	<p>the person/business paying the charge on the charges owed.</p> <p>This option is complex to implement and administer.</p>
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### Impact analysis

As the fee level is likely to be too low to influence vehicle demand, it reduces the incentive for the supplier to absorb the cost. Accordingly, purchasers of vehicles are expected to incur this cost, regardless of the design of the cost recovery scheme (i.e. either indirectly through vehicle importers (who are likely to pass the cost on by building it into a vehicle's selling price) or directly through a payment at the point of registration). We do not consider that the fee will have a material economic impact on purchasers of vehicles, noting that the fee would add a cost of 0.225% to the price of a \$10,000 used import.

As the fee level is likely to be considered too low to influence vehicle demand, and purchasers of vehicles will pay the fee (either directly or indirectly), there is expected to be no economic impact to the vehicle industry from introduction the fee.

### Consultation

NZTA undertook engagement with the public as well as a range of vehicle importer representative groupings to gain a greater understanding of their views on potential cost recovery measures. This took the form of written correspondence as well as online meetings with representatives from vehicle importer groups.

The consultation document sought feedback from importers and consumers on the basis of payment, point of payment and the variability of payment.



Public consultation was undertaken from 19 November 2024 to 10 December 2024. NZTA received 150 submissions. 105 submissions were from individuals, and 45 were from businesses or organisations.

### **Key consideration 1: Basis of payment**

Majority of submitters supported (127 or 85 percent) charging the administration fee on a 'per vehicle' basis, citing fairness as a driving factor. Submitters who supported the 'per vehicle' fee stated single or low-volume vehicle importers should not be charged at the same rate as larger importers importing large numbers of vehicles per year. It was thought that this option was also more efficient to administer.

The Motor Industry Association (MIA), which represents vehicle manufacturers, supported charging a fee on a per vehicle basis.

### **Analysis**

Charging on a 'per vehicle' basis is the fairest way to assign the fee. If it were charged per importer, smaller importers would in effect subsidise the larger (as all would pay an equal fee). Other fees in the transport system are already charged on a per-vehicle basis, such as the tyre stewardship fee.

### **Key consideration 2: Point of payment**

88 submissions (59 percent) supported setting the point of payment at vehicle registration (consumer pays). Submitters who favoured this option tended to consider this a more transparent option than charging importers who may pass the cost to consumers. These submitters viewed a charge at vehicle registration as enabling consumers to know exactly what they are being charged and why.

Submissions on behalf of transport industry organisations noted charging at vehicle registration would minimise disruption for importers compared to paying at the point of vehicle acceptance in the CCS process. These organisations also noted the administration fee would be passed on to the end consumer regardless of the chosen option.

A minority of submitters (39 or 26 percent) supported importers paying the administration fee when accepting a vehicle in the CCS online system. Submitters who favoured this option stated importers would have a better understanding of the system and the administration fee. They felt consumers would find the administration fee confusing, and expected costs would be passed to consumers regardless.

Twenty-three submitters (15 percent) favoured the two options where the administration fee would be charged as a single invoice for importers each year. Of these submitters, eleven (7 per cent) favoured charging the administration fee in the CCS system as a set amount once a year, while twelve submitters (8 per cent) favoured a retroactive invoice separate from the CCS system. No submitters who selected these options provided additional feedback on why they supported them.

The MIA supported charging at the point of vehicle registration.

## Analysis

Charging at vehicle registration is the most efficient way for NZTA to collect the administration fee. Importers, if charged, are likely to pass the fee on to consumers. This option also increases transparency for consumers.

### Key consideration 3: Variability of payment

82 submissions (55 per cent) supported charging a flat administration fee per vehicle or importer, citing fairness and ease of implementation.

Sixty-four submitters (43 per cent) favoured charging a variable administration fee for new and used vehicles/accounts. Submitters who selected this option and provided feedback suggested used and cheaper vehicles should attract lower administration fees to lessen the distortion of costs.

Fifteen submitters (10 per cent) favoured a variable administration fee option and suggested the administration fee should be a variable cost based on other vehicle attributes not proposed in the consultation document.

The MIA submitted that used vehicles required more resources to administer the Standard, and as such should pay a higher fee.

The Imported Motor Vehicle Association (VIA), which represents the used vehicle importer industry, submitted that used vehicles should be charged a lower fee to mitigate impacts on low-income households and first vehicle buyers, who are buyers seeking more affordable vehicles.

## Analysis

The intent of the fee is to fund administration of the Standard, not to influence the behaviour of vehicle importers and consumers. The Standard already influences behaviour by charging importers for vehicles with high CO<sub>2</sub> emissions and giving credits for vehicles with low CO<sub>2</sub> emissions.

Attributes such as a vehicle's size, value, or emissions rating do not impact the resourcing required to progress vehicles through the Standard's system. To do so would create additional administration costs.

Additionally, charging used and new vehicles the same fee is administratively simpler.

## Conclusion

There is a long-established principle that when users access a regulated transport service, the user should pay the cost of the provision of that service.

Charging a flat fee on a per vehicle basis, at the point of registration, aligns most strongly with the chosen cost recovery criteria of simplicity, equity and efficiency.

The fee should be set at \$19.53 (excl. GST) per vehicle registered.

## Implementation plan

The Land Transport (Clean Vehicle Standard) Amendment Act passed through all stages of Parliament in 2024. This legislation allows for the development of regulations to enact cost recovery.

Cost recovery will be enacted via regulations and will come into effect from 1 July 2025.

Prior to this date, NZTA will make changes to the vehicle registration system that will allow the proposed administration fee to be charged at the point of registration, where other fees are already paid as part of On Road Costs (ORC).

NZTA will notify the third-party agents responsible for the delivery of the vehicle registration system of the additional fee.

## Enforcement

Specific enforcement provisions will not be required. If a fee is not paid, a vehicle will not be registered. It is likely that vehicle importers will build this fee into the 'on road costs' that are often bundled together by dealerships. Without payment it is unlikely that a car vendor would release the car for use.

Drivers are strongly incentivised to drive a registered vehicle. Unregistered vehicles cannot legally be driven on roads, nor receive insurance.

## Monitoring, Evaluation and Review.

Recovering the costs of the Standard could be included in structured fees and funding reviews undertaken periodically to assess their validity and NZTA's administrative performance.

Monitoring of compliance will be simple, and data will be collected at the point of vehicle registration.