

Proactive Release

This document is proactively released by Te Manatū Waka the Ministry of Transport.

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.

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

| <u>Section</u> | <u>Description of ground</u> |
|----------------|---|
| 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"> (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation |
| 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) |

23 November 2022

OC221024

Hon Michael Wood

Minister of Transport

PROGRESS UPDATE FOR THE CLEAN CAR UPGRADE AND SOCIAL LEASING SCHEME TRIALS

Purpose

On 8 November 2022, you requested an update on progress towards delivery of the Clean Car Upgrade (CCU) and Social Leasing Scheme (SL) trials. The intent of this briefing is to provide you with current milestones, any risks which might prevent meeting them, and mitigations for those risks.

Key points

- The CCU and SL trials are both expected to have an initial trial start in April 2023.
- The key risk for both trials is the tight timeframe to which New Zealand Transport Agency Waka Kotahi (Waka Kotahi) is working. Waka Kotahi will continue to keep you updated in its monthly CERF Ministerial report.
- The key risk for the Clean Car Upgrade is completing stakeholder engagement and subsequent decision-making for the trial in a short timeframe to support the planned April launch in at least one location.
- The key risk for the Social Leasing scheme is providing the financial and operating models for the trial in a short timeframe. Community engagement must be completed before these can be finalised and this requires appropriate relationship management. Community engagement is planned for December 2022 and January 2023.
- Waka Kotahi has worked closely with the Ministry of Transport Te Manatū Waka (Te Manatū Waka) in developing this advice and has indicated it is comfortable with the content of this briefing.

Recommendations

We recommend you:

- 1 **note** that the key risk for both the CCU and SL trials is the tight timeframe to which New Zealand Transport Agency Waka Kotahi (Waka Kotahi) is working
- 2 **note** that Waka Kotahi has identified the following additional risks and possible mitigations for the CCU trials: timing and outcome of community engagement, competing priorities for digital resourcing subject matter experts, Participant Advisors not yet been engaged, and possible additional requirements from Anti-Money Laundering legislation
- 3 **note** that Waka Kotahi has identified the following additional risks and possible mitigations for the SL trials: vehicle supply issues, the need to develop a new operating model given that the Waka Āronui model might not be scalable, and the timing of engagement with communities
- 4 **note** that Waka Kotahi will continue to keep you updated in its monthly CERF Ministerial report.



Carmen Mak
Acting Manager, Environment & Emissions Policy Design

..... / /

Hon Michael Wood
Minister of Transport

..... / /

Minister's office to complete:

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

Comments

Contacts

| Name | Telephone | First contact |
|---|-----------|---------------|
| Carmen Mak, Acting Manager, Environment and Emissions Policy Design | s 9(2)(a) | ✓ |
| Sydney Van Nortwick, Graduate Policy Advisor, Environment and Emissions Policy Design | | |

PROGRESS UPDATE FOR THE CLEAN CAR UPGRADE AND SOCIAL LEASING SCHEME TRIALS

The Clean Car Upgrade and the Social Leasing Schemes aim to increase access to low- and zero-emissions vehicles for people on lower incomes

- 1 The Clean Car Upgrade (CCU) scheme aims to make low- and zero-emissions transport and low- and zero-emission alternatives more accessible to New Zealanders on low- and moderate incomes by lowering the cost enough to make them affordable. Participants will scrap an unsafe, high-emission vehicle and receive a grant to procure a safer, low-emission alternative.
- 2 The Social Leasing (SL) scheme aims to provide low- and zero-emissions transport to individuals and whānau on low-incomes by providing a vehicle at a set weekly cost which includes all running costs (e.g. registration, Warrant of Fitness, maintenance, tyres, insurance) except fuelling (petrol or electricity).

The delivery of the trials is progressing at pace and in line with proposed milestones

- 3 Waka Kotahi New Zealand Transport Agency (Waka Kotahi) is designing the Clean Car Upgrade (CCU) and Social Leasing (SL) trials, including supporting policy and design conversations, supporting engagement with communities, and preparing to deliver the schemes.
- 4 The CCU trial is due to start in its first location (likely Auckland) in April 2023. Waka Kotahi will deliver the remaining two CCU trials by or in July 2023.
- 5 Waka Kotahi is aiming to launch at least one trial of SL by or in April 2023. However, this is dependent on successfully securing a suitable supply of vehicles. It has indicated it will deliver the remaining SL trials by or in September 2023.
- 6 There is also a risk that the tight timeframes Waka Kotahi is working to will not be met if significant issues are raised during community and partner engagement and the subsequent design of the trials.
- 7 You will be kept updated on decisions and risks as this work progresses via the CERF monthly report Waka Kotahi provides. Waka Kotahi has provided content for this briefing. It has also reviewed this briefing and is comfortable with it, though it notes that there will be replication between this briefing and its monthly CERF report.

Clean Car Upgrade

A Cabinet Paper was considered on 23 November 2022

- 8 Key decisions on the CCU were considered by the Cabinet Environment, Energy and Climate Committee on 23 November 2022.

- 9 With the November Cabinet decisions finalised, the majority of design decisions are complete. At this point, work is progressing simultaneously on supporting the final decisions delegated to you by Cabinet and trial delivery.
- 10 Pending Cabinet approval, high-level milestones for the Clean Car Upgrade have been prepared (Annex 1).

Decision-making delegated by Cabinet

- 11 Decisions have been made on the following aspects of the CCU:
 - 11.1 setting the CCU's grant levels
 - 11.2 allowing participants to combine grants
 - 11.3 allowing participants to divide the use of the grants across more than one replacement transport option
 - 11.4 establishing participant advisors as part of the scheme
 - 11.5 establishing vehicle eligibility criteria
- 12 Ongoing active consideration of other key decisions has resulted in Waka Kotahi being unable to have in-depth engagement with communities and stakeholders about several key decisions for the CCU, prior to the November Cabinet decisions.
- 13 Cabinet has delegated decision-making on several issues to you, with the understanding that the Ministry of Transport Te Manatū Waka (Te Manatū Waka) and Waka Kotahi would provide you with a briefing in February 2023, providing you with options to change agreed settings based on the new, more detailed information. These decisions are whether:
 - 13.1 trials need to be lengthened to a maximum of 15 months
 - 13.2 the 28-day requirement for a valid Warrant of Fitness when scrapping a vehicle should be longer in one location
 - 13.3 a higher income threshold is needed for individuals
 - 13.4 a higher income threshold is needed for multi-generational households
 - 13.5 a higher price cap is needed when multiple households scrap vehicles and pool funding
- 14 Waka Kotahi will be consulting with communities and stakeholders in December 2022 and January 2023. This engagement will inform the February 2023 briefing from Te Manatū Waka and Waka Kotahi. Community engagement is planned as follows:
 - 14.1 Gisborne/Tairāwhiti through December 2022/January 2023
 - 14.2 Auckland from January to February 2023
 - 14.3 Christchurch from January to February 2023

- 15 This engagement schedule might not provide sufficient information to enable Ministerial decisions on changes to the agreed settings. Therefore, there is a potential risk to the timing of the briefing and decisions being made by you if significant issues are raised during engagement.

Waka Kotahi is also progressing actions needed to implement the trial, but there are risks

- 16 Waka Kotahi is progressing multiple workstreams to identify trial design and delivery. These will need to progress with no significant issues to successfully launch in at least one location by April 2023.
- 17 While most policy decisions are complete following the November 2022 Cabinet paper, detail for implementation is still being developed. Significant risks to delivery are highlighted below.

17.1 Timing and outcome of engagement will affect final decisions:

Engagement will provide the detail needed for successful implementation, but if communities are unable to meet soon, or if those relationships are not appropriately managed, there will be little opportunity to re-engage before the delivery deadline, creating a risk for timely initiation and uptake of the trial in April 2023 and delivery of the full trial in July 2023.

17.2 Competing priorities for subject matter experts could delay delivery:

Overlapping resource requirements with other workstreams such as Clean Car Standard and other priority initiatives limits the time subject matter experts can dedicate to the CCU. Digital resourcing has been identified as presenting some risks to delivery of the scheme. Delays in this area could impact key implementation factors such as:

17.2.1 Application submission process

17.2.2 Income and other private detail verification

17.2.3 Vehicle eligibility for scrappage, and ensuring scrapping is properly completed

17.2.4 Payment to service providers (scrapping, advising, vehicle procurement).

17.3 Participant Advisors have not yet been engaged and are crucial to the delivery of the scheme:

Waka Kotahi has not been able to discuss policy design detail with potential Participant Advisors to gauge their interest in supporting the scheme, providing their services for it, and on what basis. Waka Kotahi was advised by some communities to not re-engage until it could share full scheme details. These conversations can begin with the public release of trial details. Engagement being delayed earlier in the design process may impact on participation in the scheme, as this role is key to identifying and guiding potential participants through the process of CCU.

17.4 Anti-Money Laundering legislation may impose additional requirements on Waka Kotahi: Waka Kotahi is seeking independent legal advice on this and how this may impact the operating model. Waka Kotahi will update you on any significant impacts from the legal advice in its CERF Ministerial report.

- 18 Digital resourcing and participant advisors were previously identified as potential issues in June 2022 (OC220416 refers).

Social Leasing

Social Leasing is in an earlier stage of development than the Clean Car Upgrade

- 19 Following Cabinet decisions in September 2022 (ENV-22-MIN-036 refers), initial funding was drawn down by Waka Kotahi to provide the detailed design of the scheme, including locations, delivery model, and community partners. At that time, Cabinet agreed to a report back on progress for this trial, specifically its design detail, in February 2023. A draft of this paper will be provided to your office in late January 2023.
- 20 A high-level map of milestones has been developed to guide assessment of this trial and ensure it is on track (Annex 2).

Waka Kotahi and Te Manatū Waka are identifying key decisions for the February 2023 paper

- 21 Te Manatū Waka expects that the draft Cabinet report back will include an updated proposal around the duration of the SL trial. Following engagement with Ākina (the consultancy that developed the Waka Aronui 20-car pilot in South Auckland) and industry specialists, Waka Kotahi has identified that the trial of SL should be three years in length; Te Manatū Waka agrees. This aligns with commercial leases, mitigates incurring increased tax, spreads depreciation costs across a longer duration, and reduces weekly cost to participants.
- 22 Within the duration of the SL trial, the Government could then choose to either signal its intent to not pursue a national scheme or to expand into a national scheme using the same or a modified operating model. However, this will need to be based on interim analyses as full analysis and evaluation of the trial would not be expected to conclude until 2026 if the extended duration of 3 years is agreed in February 2023.
- 23 Separating the decision on the continuation of the trial from a potential wider roll out, provides certainty to participants regarding the terms of their contracts and will help participants avoid financial hardship from the scheme ending early or unexpectedly.
- 24 If the duration of the trial is extended, it will exceed the timeframe of its current tagged contingency. At this stage, Te Manatū Waka is intending to request a ringfencing of any funds remaining following the setup of the trial and is preparing to conduct an interim six-month evaluation with the option to use this analysis to request additional funding if needed.

Waka Kotahi is progressing design detail and implementation work, however, there are risks to delivery within the current timeframes

- 25 Waka Kotahi has been working with Ākina to understand how Waka Aronui may inform the trial, and therefore any national implementation of a Social Leasing Scheme.
- 26 Early findings from this engagement indicate that the model used in Waka Aronui may not be scalable. This is due to a variety of factors, but include:

26.1 s 9(2)(b)(ii)

26.2 The 2% loan secured to purchase these vehicles at that time may not be possible to replicate given fiscal constraints and inflationary pressures.

26.3 The willingness and ability of community partners (community organisations) to incur and service significant debt in order to support a Government initiative.

27 Because the Waka Āronui model may not be viable to replicate, more time is being spent to develop and establish the operating model. This has impacted Waka Kotahi being able to quickly deliver options for a revised operating model to Te Manatū Waka. The development of these options is dependent on availability of community partners and potential participants for successful and productive engagement.

28 As more work needs to be done to understand the design elements and other aspects of the trial, there is a risk that the trial will not commence in April 2023. If unanticipated issues are identified as part of the design work, this could delay progress. Additionally, where Cabinet decisions are required, there is the risk that there will not be enough time to enable implementation in April 2023 following Cabinet decisions (anticipated to be in February 2023).

29 As noted above, Waka Kotahi has indicated that will endeavour to launch at least one SL trial location by April 2023 and will deliver the remaining trials by or in September 2023. Depending on design decisions made by Cabinet and you in February 2023 on the duration of the trial, the September delivery may impact the final evaluation and increase the risk of the trial not having a sufficient duration to enable robust evaluation.

Locations have been selected for the Social Leasing trials

30 Following engagement with local communities, three locations have been identified to host the trials: Northland, Invercargill, and Porirua.

31 These locations have been selected with consideration given to design criteria in OC220844 and your comments:

31.1 that the locations differ from those selected for the CCU;

31.2 and that the trial could reach a diverse mix of participants within the Māori, Pasifika, low-income and rural communities.

32 Engagement has been initiated in all three locations, with more detailed engagement commencing in December 2022 and going into early 2023. Potential community partners have been identified, and community partners in all locations have confirmed that they are interested in the scheme being trialled in their communities.

33 Northland: the community is excited to participate in the trial, but is unable to engage with officials from Waka Kotahi until mid-December. Planning is progressing for a hui at that time. This community was initially tagged for the April 2023 start, but given this delay, the other communities may need to be considered for the initial location.

- 34 Invercargill: following initial conversations with potential community partners, an engagement with potential participants and community partners is planned for December 2022.
- 35 Porirua: initial conversations with community providers have begun, and a formal hui with community partners is being planned for January 2023.

Additional locations for CCU and SL cross-over are being considered

- 36 Following clarification from you and your office (email, October 2022), it was proposed that an additional location be added to the Social Leasing trial which would overlap with a location of the Clean Car Upgrade trial.
- 37 This could increase strain on existing resources and spread the tagged contingency funding further than anticipated in the initial proposal. However, Waka Kotahi have advised that they do not anticipate this affecting trial delivery at this stage, and that they see clear synergies in using the same administrative structures across schemes in a shared location.
- 38 Waka Kotahi is currently considering what this overlap of schemes would look like. It is specifically seeking synergies in the administrative side of both trials, i.e. the participant advisors for CCU could also be participant advisors for SL, or the same community partner could provide access to both trials.
- 39 It is not yet decided where this location will be, nor when trials will begin. However, Tairāwhiti (Gisborne) and South Auckland are being considered. The likelihood, location, and style of the possible co-location will be discussed in the February 2023 Cabinet paper.

Key issues and mitigations for Social Leasing

- 40 **Vehicle supply may impact April start date**: early indications from industry are that the supply of vehicles suitable for the trial will be difficult to secure, due to supply issues around both new and used vehicles. There is a lead in time of several months for suitable vehicles in most instances. Waka Kotahi has requested information from suppliers on availability of vehicles for an April start date.
- 41 Additional vehicle sources are being considered but may not fully mitigate this issue. Waka Kotahi will continue investigating solutions. It has also engaged an outside consultant to aid in this endeavour. You will be updated via the monthly Waka Kotahi CERF Ministerial report.
- 42 **Development of the operating model**: as early insights indicate that the Waka Aronui model may not be scalable, the timeline to design options for the operating model is very tight due to the Cabinet report back timeline.
- 43 As this scheme includes a financial component, Waka Kotahi has sought legal advice on potential issues arising in the design due to anti-money laundering and the Credits Contracts and Consumer Finance Act. You will be updated in the monthly Waka Kotahi CERF Ministerial report if the advice is likely to impact on delivery timeframes.
- 44 **Timing of engagement will affect final decisions**: timeframes for delivery of the operating model and for initiating the trial in the first location are both tight. For the

trials to be successful, communities must be engaged with in the right way with the right time consideration. Waka Kotahi is managing relationships carefully to ensure that it has ongoing support from community partners who will be key in delivering the trials. The current planned timelines for engagement overlap with the planned delivery of design elements for the trial to Te Manatū Waka in December 2022. This means that the report-back of design details for the trial to Cabinet in February 2023 ahead of the April 2023 launch could be at risk.

PROACTIVELY RELEASED BY
TE MANATU WAKA MINISTRY OF TRANSPORT

Annex 1 – Clean Car Upgrade key milestones

| Key implementation milestone/activity | Timeframe |
|--|----------------------------|
| Final design decisions for the trial of the Clean Car Upgrade Cabinet paper considered by Environment, Energy and Climate Committee | 23 November 2023 |
| Media release on Cabinet's decisions on the Clean Car Upgrade | Early December 2022 |
| Waka Kotahi works with vehicle dealers, scrappers, low-emission transport providers, iwi and community groups in the three trial locations to co-refine the generic process where needed | December 2022 – March 2023 |
| If relevant, Waka Kotahi through a tender process selects and contracts delivery partners for the Upgrade | January 2022 – April 2023 |
| Briefing on delegated decisions submitted to Minister | 17 February 2023 |
| Waka Kotahi identifies, develops and tests system requirements (e.g. IT and financial system requirements) for trial purposes, with a view to potential future use | August 2022–March 2023 |
| Communication and engagement on low emission transport and the Clean Car Upgrade starts in the first trial location | March 2023 onward |
| Trial scheme in operation in at least one of the three trial locations | April 2023 |
| Trial scheme in operation in all locations | July 2023 |
| End of trial (15 months maximum after all trials start) | October 2024 |
| Evaluation and modelling of potential emissions impacts of the Clean Car Upgrade complete | April 2025 |
| Report back to the Cabinet on the outcome of the evaluation of the Clean Car Upgrade | June 2025 |

Annex 2 – Social Leasing Scheme key milestones

| Key implementation milestone/activity | Timeframe |
|---|---|
| Waka Kotahi delivery of design detail to Te Manatū Waka | Week ending 16 December 2022 |
| Draft Cabinet paper provided to your office | Late January 2023 |
| Detail design paper considered by cabinet | Week ending 4 March, 2023 Exact Cabinet date TBC |
| Trial begins in at least one location | April 2023 |
| <i>Below timeline is based all trials beginning by or in July 2023. Further work is needed to understand what changing to a start date of September would mean.</i> | |
| Trial in operation in all locations | July 2023 |
| Six-month evaluation to prepare any necessary funding requests | October 2023 |
| Year 1 evaluation of scheme (through end of June 2024) | August 2024 |
| Year 2 evaluation of scheme (through end of June 2025) | August 2025 |
| Final (Year 3) evaluation and analysis | June 2026 |
| Report back to the Cabinet on the outcome of the evaluation of Social Leasing trial | September 2026 |