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TE MANATŪ WAKA  
MINISTRY OF TRANSPORT

Transport ERP Initiative 5  
Implementation Plan:

# Assisting low- income New Zealanders to shift to low emission vehicles

WORKING DRAFT Version 3.0

NOT GOVERNMENT POLICY



TE MANATŪ WAKA MINISTRY OF TRANSPORT PROACTIVELY RELEASED BY

# Document Control

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# Key terms

For the purpose of this Implementation Plan, the following terms have been defined as follows.

Term	Definition
Low-income	<p>Low-income participants include:</p> <ul style="list-style-type: none"><li>— An individual whose annualised income is below the median of \$56,856 (based on June 2021 data).</li><li>— A household whose combined annualised income is below the median of \$97,760 (based on June 2021 data).</li></ul> <p>Both thresholds increase by \$10,318 for each dependent child under the age of 18.</p> <p>Note, these are draft policy positions that will be confirmed by Ministers during the September 2022 Cabinet process.</p>
Target audience	<p>The target audience is New Zealand low-income communities. Implementation will be designed to ensure there is a good uptake among Māori and Pasifika communities.</p>
Low-emissions vehicles	<p>Low emissions vehicles include: EVs or low emission alternatives, fuel efficient PHEVs and fuel-efficient hybrids.</p>
Delivery Agency	<p>An organisation that is responsible for the implementation of an initiative or a trial and must report into TERP governance on delivery, expenditure, risks and benefits. They may deliver an initiative themselves or partner with others to deliver.</p>
Delivery partners	<p>Delivery partners are businesses and organisations that will be involved in the sale of replacement vehicles, the scrapping of vehicles and the provision of alternative low emission transport e.g., e-bike sellers, car share providers, car lease providers and providers of public transport.</p>
Integrator	<p>An organisation that brings together community organisations, businesses and funding to deliver. For example, s 9(2)(b)(ii)</p>

# 1 Introduction and background

## 1.1 Background and strategic context

The Government's Emissions Reduction Plan (ERP) commits to significant action to reduce transport emissions by 41 percent by 2035. Work needs to get underway quickly to achieve this very challenging target.

The Ministry of Transport (MoT) submitted 9 initiatives for Budget 2022 under the Climate Emergency Response Fund (CERF) to help deliver on several actions in the ERP. This substantial package will:

- Create a platform for an enduring approach to mode-shift and reducing vehicle kilometres travelled (VKT) by light vehicles through robust planning and funding to deliver key initiatives.
- Support clean vehicle initiatives with an equity focus, including trialling approaches to learn what is most effective. This will be essential for supporting a Just Transition.
- Initiate a major focus on decarbonising the freight system by developing a strategic approach in partnership with the sector. This will put us in a good position to put forward freight decarbonisation bids for Budget 2023.

One of the TERP initiatives is the trialling of two schemes to support low income households to transition to lower emitting vehicles (referred to as "Initiative 5"). The two schemes are:

- 1 A Clean Car Upgrade (Equity-orientated vehicle scrap and replace trial)
- 2 A social car leasing trial

## 1.2 Purpose

This document will be used by MoT to establish the necessary implementation requirements for the two trials set out above. It provides a plan for MoT to take forward the trials following a decision by Government to invest CERF funding.

This document should be read alongside the TERP Programme Implementation Plan (PIP) which sets out the overall framework for the MoT to establish and oversee the TERP.

## 1.3 Context as at 20 May 2022

The two trials are currently in the policy development phase and further decisions regarding the design of the trials will be taken by Ministers in June and September 2022.

There are four broad phases for the implementation of Initiative 5:

- 1 **Design:** Complete the policy development process, engage with Delivery Agencies/Integrators to design the operating model, and conclude with Cabinet decisions in June and September
- 2 **Establishment:** MoT steps back and the Delivery Agency/Integrator leads the establishment of the operating model (partnering arrangements, technology build, recruitment etc.)
- 3 **Operations:** Trials are launched and running.
- 4 **Evaluation:** MoT leads an independent evaluation of the two trials and reports to Ministers on next steps

### Clean Car Upgrade (Equity-orientated vehicle scrap and replace) trial

- MoT is advising Ministers on policy/design elements of the scheme including the number and location of trials and the extent of financial support (grant payment) that participants will receive.

- Officials met with the Minister of Transport on 10 June and received clear direction that Waka Kotahi is the preferred Administrating Agency for the trial and that there is a preference to have up to three locations. The trial will be operational in April 2023.
- The scheme has received funding through Budget 2022 as part of the CERF.
- Waka Kotahi will lead the detailed design of the scheme, based on the policy settings developed by MoT. This includes engaging with potential partners and the communities as well as developing the technology solution required. Initial engagement with Waka Kotahi is a priority.
- MoT will collaborate with Waka Kotahi during the design phase to refine the policy settings and will lead advice to Ministers in August and September.
- The trial will commence in April 2023. A Gantt chart has been included to outline the key activities that will require higher effort and potentially higher risk for the success of the trial.
- Engagement with stakeholders, Motor Trade Association (MTA), Inland Revenue, EECA, and MSD is underway and will continue in the lead up to the June and September 2022 advice.
- Material changes to the Implementation Plan include Section 5 reflecting the decision that Waka Kotahi will be the Delivery Agency and the EECA scenario has been moved to the Appendix. A list of initial questions for engagement with Waka Kotahi have been included for discussion.

Next steps for the Clean Car Upgrade (Equity-orientated vehicle scrap and replace trail):

- The focus should now be on empowering and funding Waka Kotahi to begin designing the operating model for the scheme (including technology) and to support MoT to develop the design of the scheme (including timeframes) to inform advice to Ministers in the lead up to the Cabinet decisions in June September 2022.
- Waka Kotahi should immediately start forming partnerships with the key delivery partners and aligning expectations and objectives. This includes engaging with community organisations to refine the design of the trial through focus groups.
- MoT and Waka Kotahi should start developing a funding agreement so they can be clear on the roles and accountabilities of each organisation.

#### Social car leasing trial

- The scheme has received funding through Budget 2022 as part of the CERF.
- Lessons from similar trials have shown the need to tailor the approach to the specific community the trial is operating in and the nature of the community organisation(s) that will be engaging with households. This means that the detail of the operating model and commercial structure will come after market engagement and then detailed community co-design.
- MoT will be the Administrating Agency for the trial, including designing the trial and partnering with Integrators.
- In the lead up to the September 2022 advice to Ministers, MoT can develop the core requirements and then the Integrator will need to launch a co-design process with local community groups, philanthropic groups, car suppliers and energy suppliers to design the final model. There may be different models in each community.
- The communities that will be offered a leasing trial have not been identified yet. There is already a trial operating in South Auckland (delivered by MUMA, Ākina and supported by Waka Kotahi and MBIE) so other communities may be more appropriate to avoid undermining the operation and evaluation of the existing trial.
- The trial will commence in July 2023. A Gantt chart has been included to outline the key activities that will require higher effort and potentially higher risk for the success of the trial.
- s 9(2)(b)(ii)

Next steps for social car leasing trial:

- MoT to engage with potential Integrators to test potential locations, refine the design of the trials and enable the Minister to report back to Cabinet by September 2022 to draw-down the tagged contingency funding.
- Waka Kotahi will support MoT to identify the integrators and will feed into the advice on locations and trial design.

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## 2 TERP Strategic Context

### 2.1 Problem Statement

A large gap exists between our projected emissions and a trajectory consistent with our meeting our zero carbon 2050 goal and international targets under the 2016 Paris Agreement.

In particular, transport emissions have increased by 90% since 1990 and are still increasing. Modelling shows that transport emissions will likely continue to rise until 2024 unless we implement significant policies to turn this around.

### 2.2 Strategic Case: Addressing Climate Change through reducing Transport Emissions

On 2 December 2020, the Government declared a **climate change emergency** and committed to taking urgent action to reduce New Zealand's emissions. In October 2021, the Government updated its Nationally Determined Contribution (NDC) under the Paris Agreement to reducing net zero greenhouse gas (GHG) emissions by 50 percent by 2030. To achieve this NDC, the Government has stated its priority will be to reduce domestic emissions. This will be driven by the ERP. In the longer-term, the Government has committed to achieving net zero GHG emissions (excluding biogenic methane) by 2050.

#### **Deep reductions in transport emissions are needed for New Zealand to meet its climate change targets**

Transport is a significant source of New Zealand's emissions. It is responsible for approximately 17 percent of gross domestic emissions, and 39 percent of total CO<sub>2</sub> emissions. New Zealand will not be able to achieve net zero by 2050 without largely decarbonising the transport system.

In May 2021, the Climate Change Commission (the Commission) provided the Government with advice on the first three emissions budgets (2022-25, 2026-30, 2031-35) to put New Zealand on a pathway to net zero by 2050. The Commission's demonstration path involves **reducing transport emissions by 41 percent by 2035**. The Manatū Waka forecasts that transport emissions would be nearly double where they need to be in 2035 without major interventions, including those under development, to put us on a different pathway. Urgent action and system-wide changes are required to change our current transport emissions trajectory.

#### **The ERP commits to significant action to reduce transport emissions**

The ERP includes three focus areas that guide the approach to reducing transport emissions:

1. Reducing reliance on cars and supporting people to walk, cycle and use public transport.
2. Rapidly adopting low-emission vehicles and fuels.
3. Beginning work now to decarbonise heavy transport and freight.

The ERP sets four transport targets that will support these focus areas and align with achieving a 41 percent reduction.

1. Reduce total kilometres travelled by the light fleet by 20 percent by 2035 through improved urban form and providing better travel options, particularly in our largest cities.
2. Increase zero-emissions vehicles to 30 percent of the light fleet by 2035.
3. Reduce emissions from freight transport by 35 percent by 2035.
4. Reduce the emissions intensity of transport fuel by 10 percent by 2035.

Achieving these targets depends on the Government taking a wide-range of actions, including significant investment in mode-shift, cleaner vehicles and freight.

**Budget 2022 is an essential first step in delivering on the transport initiatives in the ERP**

This package of initiatives is an important first step for achieving these transport targets and delivering on New Zealand's first ERP.

Specifically, early investment in mode-shift is critical for achieving the VKT reduction target, as it takes time to improve infrastructure and services. Deferring investment also risks locking in emissions-intensive transport patterns that will make it harder and more expensive to reduce emissions in the future at the pace and scale required. Mode-shift investment is also important for supporting an equitable transition by making inclusive and affordable transport modes more accessible. Without this, road pricing tools, including congestion charging and the Emissions Trading Scheme, are less effective at promoting behaviour change and are likely to disproportionately increase living costs for low-income households who are heavily reliant on car travel. This could exacerbate transport disadvantage and poverty.

In addition, achieving an equitable transition relies on making cleaner vehicles more affordable and accessible for low-income New Zealanders, particularly in areas not well-served by public transport. Rapidly trialling initiatives that make low-emission vehicles more affordable is essential for enabling their wider roll-out if they are effective. Without this wider roll-out, low-income households that rely on travel by car could be locked into owning high emission vehicles – widening economic disparities and making it harder to achieve transport's cleaner vehicle target.

**This package is also an opportunity to address wider costs on society from transport**

Budget 2022 also offers opportunities to improve the wellbeing of New Zealanders. Air pollution, crashes and congestion from traffic impose a large cost on New Zealand's public health, environment, and economy. For many people and communities, transport is not affordable or accessible. This package will contribute to a more inclusive, safe, healthy, and resilient transport system that better supports economic activity.

## 2.3 Investment Logic Map

To assist with focussing and assessing the bids the investment logic map (ILM), presented in **Figure 1** below, was developed. The ILM has been developed from the content and targets in the ERP. It focusses on the need to achieve a mode shift away from light vehicles towards public and active transport, reducing the cost of clean transport and decarbonisation of New Zealand's vehicles across all uses. This ILM has been used to assist with developing and assessing the individual bids and the wider programme. It has not been formally endorsed.

# Delivering on the Emissions Reduction Plan

## Addressing Climate Change through Transport Emissions

INVESTMENT LOGIC MAP  
 Summary

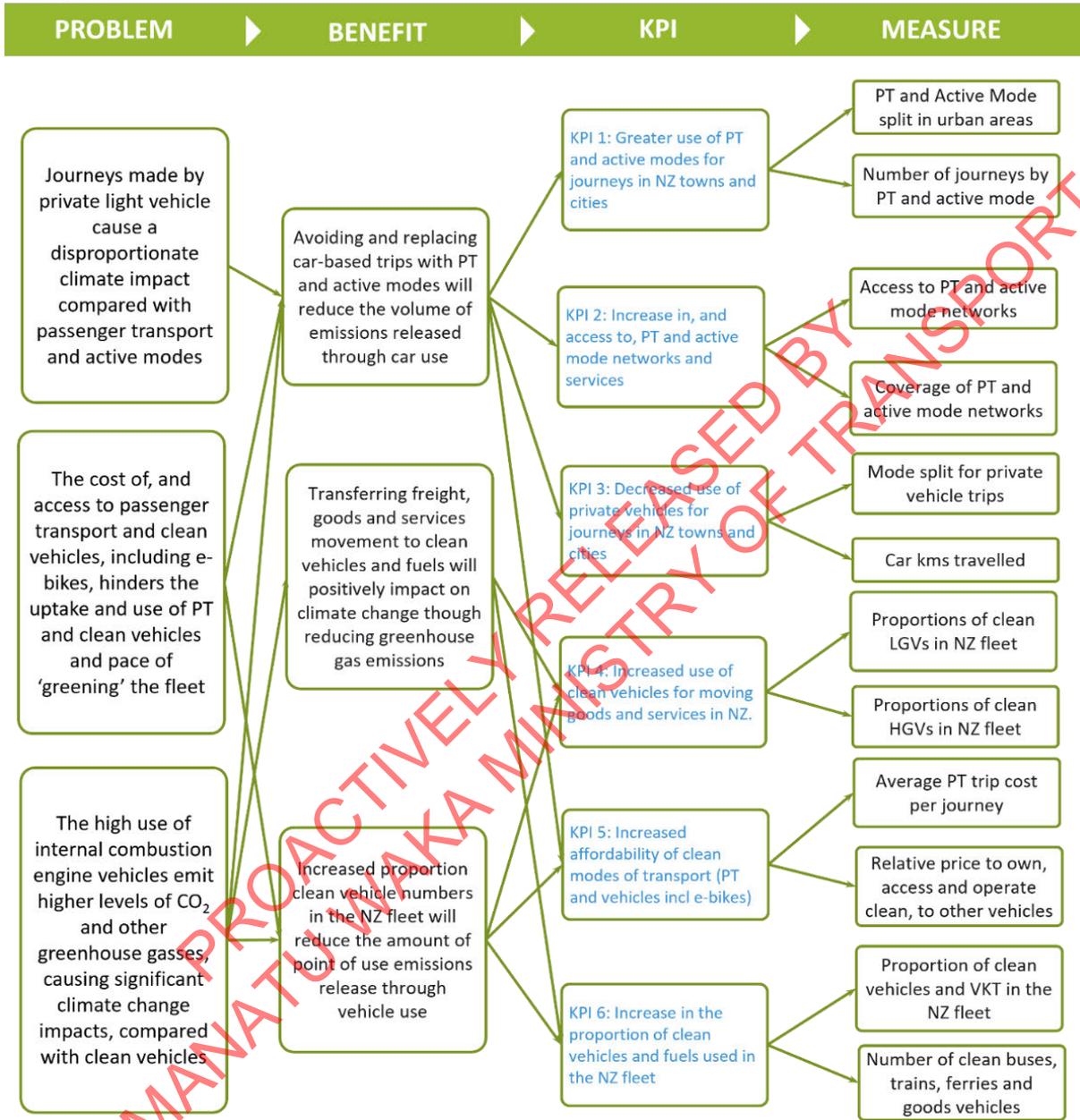


Figure 1: Transport Emission Reduction ILM

## 3 Initiative Level Strategic Case

### 3.1 Problem statement

Transport is responsible for 41% of our domestic carbon dioxide (CO<sub>2</sub>) emissions, and approximately 20% of total greenhouse gas emissions. The system needs to reduce its emissions if New Zealand is to achieve its 2030 emission reduction commitment and 2050 net zero-carbon target.

A 'Just Transition' is a key pillar of the Government's climate response. It requires a transition to a net zero emissions economy in a way that is fair, inclusive and equitable. The key objective of this initiative is to help reduce financial pressure for low-income New Zealanders through access to low emission vehicles, or alternatives. As well as to avoid people sinking further into financial distress as carbon mitigation measures make it increasingly expensive to drive high emissions vehicles. Increasing the number of low-income New Zealanders who are able to shift to low-emission vehicles, or low-emission travel, is a key part of a Just Transition in transport.

This initiative will trial at least two different ways of providing targeted assistance to overcome the issue that low-emission vehicles are currently unaffordable for many low-income households, even with current rebates. Without a targeted programme, there is a risk that low-income households will be excluded from the shift to low-emission vehicles. While other initiatives, such as community connect, have targeted low-income families, this initiative aims to address areas that are poorly served by existing public transport infrastructure. Two potential schemes have been identified to trial ways to support a Just Transition in transport. They are:

- A vehicle social leasing trial, which would lease low-emission vehicles to low-income participants
- A Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace), which would provide targeted assistance to low-income households to purchase a low emission vehicle upon scrapping an ICE vehicle.

### 3.2 Objectives and targeted benefits

The primary objective of this initiative is to support and remove barriers to increase the number of low-income New Zealanders who are able to shift to low-emission, safe and clean vehicles, or low-emission travel, which is a key part of a Just Transition in transport.

This initiative seeks to trial and evaluate two ways of assisting low-income New Zealanders transition to safer, low-emission transport.

#### Targeted benefits

The primary benefit of this initiative is to assist, support and enable low-income New Zealanders to low-emission vehicles, or low-emission travel, which is a key part of a Just Transition in transport. The trials will aim to deliver:

- A reduction in the level of low-income household expenditure spent on transport
- A reduction in CO<sub>2</sub> emissions from the earlier retirement of high-emitting vehicles, entry of low-emission vehicles and/or from reduction in number of vehicles
- Improved physical and social wellbeing for low-income and marginalised communities, through increased access to safer vehicles (at least 3-star safety rating) and, potentially, greater uptake of active modes

#### Alignment

The trials contribute to the Government's goal, laying the foundations for the future, including addressing key issues such as our climate change response, and child poverty. The initiatives the trials investigate are included

in the consultation document, Te hau mārohi ki anamata, the discussion document for the first Emissions Reduction Plan.

Subsidising low emissions transport for low-income New Zealanders will directly contribute to a Just Transition in the decarbonisation of transport.

The two initiatives the trials investigate are included in Te Manatū Waka's, Hīkina te Kohupara, that sets out the direction that New Zealand could take to decarbonise the transport system.

The trials also link to Te Manatū Waka's outcomes framework that describes how wellbeing can be improved through transport. Specifically, the trials would contribute to the outcomes of 'Inclusive access' and 'Healthy and safe people' in the framework.

The two initiatives the trials investigate are included in the consultation document, Te hau mārohi ki anamata, the discussion document for the first Emissions Reduction Plan. Under Focus area 2: 'Rapidly adopting low-emissions vehicles and fuels' an initial action is to 'implement community-based solutions, like social leasing, to make low-emission vehicles more accessible for low-income New Zealanders, and others facing transport disadvantage.' An equity-oriented scrap and replace scheme is also included within this Focus area.

This initiative requires Te Manatū Waka to work alongside other agencies, such as Kāinga Ora, to design and implement the trials. Kāinga Ora has an interest in how these trials could connect with community housing opportunities. Other agencies such as Auckland Council, Waka Kotahi and the Energy Efficiency Conservation Authority (EECA) may be involved.

### 3.3 Description of the Initiative

The initiative sought funding to design, conduct and evaluate trials of at least two different types of targeted assistance to low-income households to support them to switch to lower emission vehicles. The evaluation of the two trials will inform Ministers' final decisions on whether, and how, targeted assistance could be provided. The focus of this paper is on the design of the scheme, acknowledging that establishing a level of community engagement will be fundamental to the development process. Two schemes have been identified to be trialled:

- 1 Clean Car Upgrade (Equity-orientated vehicle scrap and replace trail)
- 2 Low-emission vehicles social leasing

#### **Clean Car Upgrade (Equity-orientated vehicle scrap and replace trail)**

- Eligible low-income participants that scrap a drivable high emission vehicle and will receive financial assistance for:
  - the purchase/lease of a vehicle: safe EVs, PHEVs and hybrids;
  - the purchase/lease of an e-bike; or
  - public transport.
- The financial assistance for vehicle purchase is likely to be paid to the vehicle dealer directly by the scheme administrator on a participant's behalf. Vouchers will likely be used for the low emissions alternatives e.g. e-bike purchase and public transport.
- Depending on cabinet allocated funding and participants' replacement choices, the trial will enable around 2,500 vehicles to be scrapped. The term of trial will be dependant on the level of funding and the speed of uptake.
- The assistance would be in the form of a grant based on a multiplier applied to the Clean Car Discount rebate. The proposed multiplier is 1.4. This would allow people who opt to replace their scrapped vehicle with an EV, or low-emission alternatives to receive \$12,075. The purchase of PHEVs and hybrids would attract lower amounts according to their CO<sub>2</sub>/km emissions. The form and amount of the assistance will be

decided by Cabinet in September following further engagement with the Delivery Agency and community organisations.

- Replacement vehicles would have to be less than 8-years old, have a battery with a 70% state of health, and have a safety-rating of 3-stars or more.

The trial would assess:

- The value of the assistance needed to support a low-income household into a safer, lower emission vehicle, or travel choice.
- Any improvements that would support the uptake of a Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace).
- The effectiveness of subsidising vehicle ownership relative to subsidising vehicle leasing, e-bikes or public transport.
- Effective mechanisms to avoid perverse incentives e.g. avoiding providing assistance for vehicles that were already going to be scrapped.

#### Low-emission vehicle social leasing trial

- Up to 250 low-income households will lease a safe, low-emission vehicle from a community organisation for at least one year. Noting that initial community engagement suggested six months will be insufficient time to assess outcomes and inhibit uptake.
- A local community organisation will operate each leasing scheme and will engage with households to lease them a vehicle. Households will pay a set weekly fee to cover the operating costs of the vehicle (depreciation, insurance, maintenance).
- The trial will operate in up to three communities across New Zealand to test the effectiveness amongst different communities. Different operating models and community structures may be used in each community based on community needs and the nature of the local community organisations that deliver the scheme (capacity and capability). The communities that have been proposed are: Porirua, Bay of Plenty, Otago
- An “Integrator” will support the schemes by identifying credible local organisations in each community, establishing partnerships with relevant businesses (e.g. vehicle providers, electricity providers) and bringing in philanthropic investors. The Integrator will also be responsible for leading the community co-design to establish the most suitable operating model for each community.

— s 9(2)(b)(ii)

The trial will assess:

- The extent to which participants are likely to opt for social leasing over vehicle ownership
- Any improvements that would make vehicle leasing more attractive to people, including design of the leasing arrangements and how the organisations engage with households
- The robustness of the social leasing model across a range of diverse communities, including communities in rural areas, and across a range of low emission vehicles, including EVs
- The financial sustainability of a vehicle leasing scheme, without long-term government support, including the ability to purchase new vehicles over time
- The most effective and efficient commercial and financial structures for a vehicle leasing scheme
- The affordability of a vehicle leasing scheme for low-income households
- The challenges and opportunities for low-income households in moving to EVs.

The trials would be designed and implemented with partner community groups and the vehicle and scrappage industries. They would initially be developed as vehicle leasing and Clean Car Upgrade (Equity-orientated vehicle scrap and replace) trials. However, if in their design community groups identify that an alternative travel choice, such as vehicle shuttles or e-bikes, would better meet their transport needs then the social vehicle leasing trial would be modified accordingly.

### 3.4 Funding sought

The Budget bid estimated the cost of establishing, operating and evaluating of the two trials is set out below.

Scheme* (\$m)	2022/23	2023/24	2024/25	2025/26 & Outyears	Total
Social Leasing	10.000	10.000	-	-	20.000
Clean Car Upgrade (Equity-orientated vehicle scrap and replace trail)	15.906	15.906	242.900	294.050	568.762

\*Funding is not fungible across the two schemes.

#### Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace)

The cost of the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) is based on the following assumptions:

	2022/23	2023/24	2024/25	2025/26	Total
Vehicles scrapped (No. Vehicles)	1,064	1,169	21,338	21,338	44,909
Vehicle Grants Provided (\$000)	12,848	14,116	257,656	257,656	542,276
Grant Administration (\$000)	452	497	9,069	9,069	19,086
Implementation and Ongoing Costs (\$000)	2,600	1,300	1,750	1,750	7,400
Total	15,900	15,913	268,475	268,475	568,763

- Lifetime funding cost \$12,500/vehicle being:
  - \$425/vehicle in grant administration costs and
  - \$12,075/vehicle in grant funding provided to the participant to replace their vehicle
- Implementation and ongoing administration costs have been estimated\* at:

Element	Cost (\$000)	Notes
Scheme Design	200	One-off
Set-up	900	One-off
Advertising/outreach at launch	600	One-off
Advertising/outreach ongoing	900	Annual expense
Monitoring and review	100	Annual expense
Case manager trial	900	Annual expense first two years
Case manager expansion	1350	Annual expense beyond 2024

\*The estimated costs below need to be refined with the Delivery Agency.

- On scrapping a vehicle, participants would receive grants for the purchase of low emission transport options including EVs, PHEVs, hybrids, public transport, e-bikes and social leasing.
- A grant will be used towards a replacement personal vehicle and any financial assistance required would be paid directly to the vehicle dealer by the scheme administrator. Vouchers will most likely be offered to participants that elect a low emission alternative e.g. public transport.
- The value of the assistance for low emission alternatives is assumed to be the same as for EVs.

- Evaluation of the trial is assumed to cost a further \$70,000.
- It has been assumed that Te Manatū Waka will allocate 3 FTEs to lead the policy development, oversee implementation and evaluation, and provide final advice to Ministers. It is likely that up to 2 FTEs would be needed in the implementing/Delivery Agency during the trial stage of the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) scheme. Should Ministers subsequently decide that the initiatives will be rolled-out, additional FTEs would be needed in the Agency responsible for administering the schemes. This Agency would be identified as part of the final advice to Ministers.

### Social leasing trial assumptions

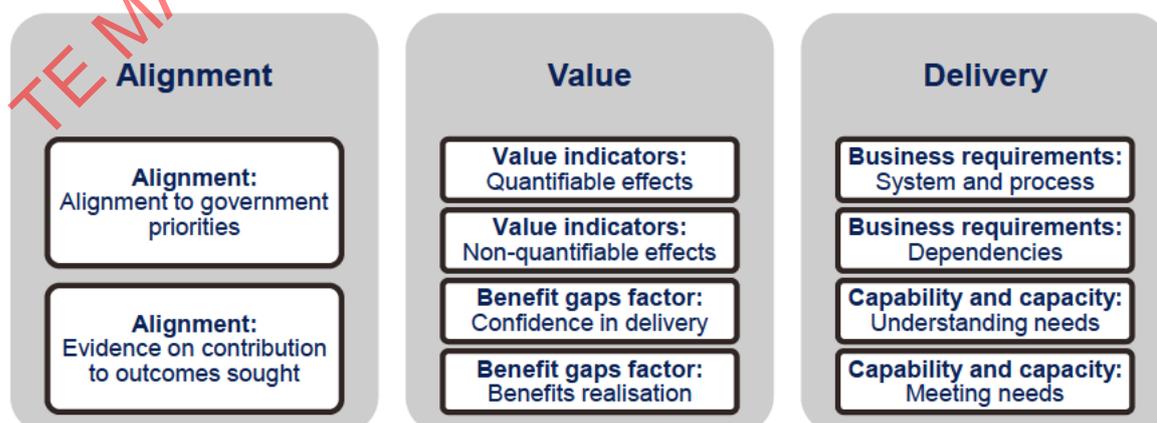
- Annual capital cost of \$8.51m will be required to purchase 210 vehicles each year, based on a purchase price of \$40,500 (\$45,000 retail less the Clean Car Discount rebate of \$4,500)
- Annual operating costs of \$1.23m (year 1) and \$1.89m (year 2) include:
  - Vehicle operating costs of \$2,080 per vehicle or \$0.44m
  - Programme management costs of \$0.56m each year
  - Community lead funding of \$0.16m in year one and \$0.32m in year two
  - A reserve fund of \$0.07m in year one and \$0.14m in year two to cover vehicle repairs, any non-insurable damage.
- Annual revenue of \$1.09m in year one and \$2.18m in year two will be earned based on a weekly per vehicle fee of \$100 paid over 26 weeks. For the purpose of this budget bid this has been offset against the total figures as it may be more efficient if reinvested directly into the scheme.
- Evaluation of the trial is assumed to cost a further \$0.07m

## 5.2 Value for money statement

### Overview of the Value for Money assessment approach

Traditional cost-benefit analysis (CBA) generally does not effectively consider multi-sector interactions and issues (including a Just Transition) and irreversible impacts. With the emerging nature of the CERF bids and the interdependency between many of the bids, it was not possible to perform an effective CBA for certain individual bids and the CERF bids as a package. To address these limitations, Te Manatū Waka's Value for Money (VfM) assessment model has been adapted to assess the effectiveness and efficiency of the CERF bids in delivering the desired outcomes, considering the intervention life cycle.

The assessment scored each bid based on five criteria, each with two sub-criteria to create a spread of ratings. Figure 1 indicates how the five assessment criteria align with the three VfM components proposed by the Treasury.



## Value for Money assessment of this bid

The original targeted value for money (VfM) assessment, based on Treasury guidance and modified to suit the CERF bids by Te Manatū Waka, is described in the VfM summary table below. This initial assessments shows that the initiative has good strategic alignment and has the potential to deliver strong benefits, contribution to emissions reduction and other government outcomes. However, there are implementation challenges, and concerns over the market capacity and capability, and the level of other interdependencies required to realise these benefits. It may take longer than expected to implement the intervention to fully realise the benefits.

The initial assessment demonstrated that this initiative has an overall VfM rating of low/medium.

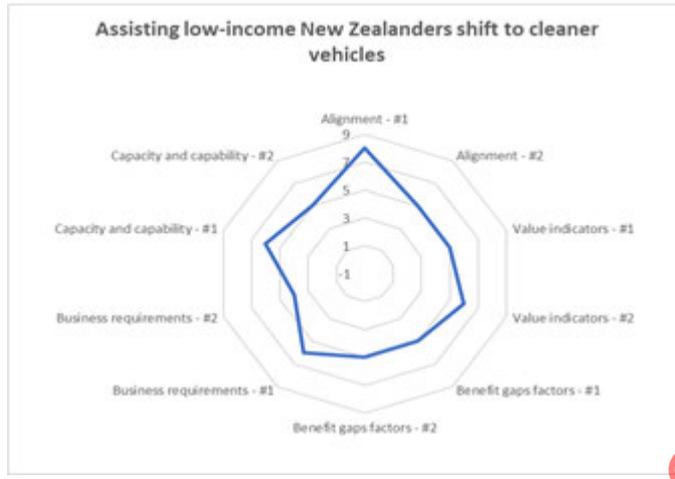
As of May the initiative has been further developed, an additional column has been included to provide an update on the VfM assessment.

Criteria & scores		Ministry VfM assessment – December 2021		KPMG assessment – May 2022
Alignment	<b>Alignment</b>	Moderate strategic alignment with some research and case studies to support.		
	<b>6.5</b>	Alignment of government priorities	<b>8</b> Strong contributor to wellbeing objectives and just transition; medium contributor to ERP (VKT reduction) and LSF. This policy targets low-income households that do not have access to transport and hence meets TOF	<b>No change required.</b> Clarify this is focused on low-income households that do not have access to <i>low emission</i> private transport
		Evidence	<b>5</b> Vehicles scrappage more cost effective if targeted to low income and rural communities that rely on private cars. Only one comprehensive study was sourced from California, major reservations around transferability of learnings.	<b>No change required</b> Clarify that scrappage scheme is considering low-income rural and urban communities <b>Additional comment:</b> Social leasing lacks supporting evidence for the scale and comparability of the proposed trials <b>s 9(2)(b)(ii)</b>
Value	<b>Value indicators</b>	Positive quantifiable and non-quantifiable benefits. Although scale of benefits for social leasing is unknown		
	<b>5.5</b>	Quantifiable effects	<b>5</b> This BCR for this bid is 1. The key contributor of the result is due to the inclusion of shared mobility vouchers rather than relying on replacement of ICE vehicles.	<b>No change required.</b> <b>Additional comment:</b> Alignment with other initiatives such as shared vehicles or mode shift could be incorporated into the trials. Final decisions will be made during detailed design phase based on community needs. Evaluation framework is being considered to ensure it aligns with the evaluation approach adopted in similar schemes such that results can be compared.
		Non-quantifiable effects	<b>6</b> The scrappage policy would specifically target rural communities that tend to rely on private car travel and expect to produce positive non-quantifiable effects around improving affordability of clean transport modes.	<b>No changes required.</b> <b>Additional comment:</b> The scrappage trial will target both rural and urban communities to understand the benefits and potential impacts across demographics. Both trials would also increase the proportion of clean vehicles and fuels used in the NZ fleet.
	<b>Benefit gaps factor</b>	The potential scale and operation of the social leasing scheme is likely to be complex with hard to monitor and understand benefits realisation. Risks associated in delivering benefits of scrappage scheme.		
<b>5</b>	Confidence in delivery	<b>5</b> The operation of social leasing scheme is likely to be quite	<b>Potentially reduce</b> –both trials will take approx. 12 months to establish. Key parameters have not been stress tested. Scale	

				complex and involves a lot of back-end work to administer.	of operation likely to be complex, multi-party participation required.
		Benefit realisation	5	Moderate to low benchmarking exists and limited ability to reference impact. The scrappage scheme operation is likely to be quite complex and there isn't any similar scheme in NZ for benchmarking.	<b>No change required.</b> <b>Additional comment:</b> Limited benchmarking for social leasing in NZ that has the same targeted outcomes and scale.
Delivery	Business requirements 4.5	Low score due to complexity of 'roll out', high dependencies on success, and may take longer to realise its benefits			
		System and process	5	Complex but confident that systems will be in place.	<b>No change required.</b> <b>Additional comment:</b> The Clean Car Discount shows that the systems and processes can be put in place, however these schemes are more complex due to targeted approach. Additionally, trialing in three locations adds complexity due to different community needs and will impact on the choice of Delivery Agency. Hard to quantify the benefits due to complexity of scheme, trial would likely need to be longer than 6 months to truly understand the benefits and plausibility. If a loan component is used in the car scrap trial then this will add complexity in the design and delivery and would likely require a longer trial to evaluate the impact.
		Dependencies	4	With high external dependencies for success. The scrappage scheme is subject to availability of used EV and PHEV imports. Need lead in time to build up the quantity to match the likely vehicle availability.	<b>No change required.</b> <b>Additional comment:</b> The delivery of the initiative relies on a range of skillsets across various organisations, their willingness to be involved is still unknown. Confirmation of limited EV availability in NZ and delayed shipping due to COVID-19
	Capacity and capability 5.5	Low score due to lack of understanding of requirements and market ability to deliver bid. Risk around capacity and capability.			
		Understanding needs	6	Capability and resourcing are not yet fully understood.	<b>Potentially reduce:</b> A large skillset required for the implementation and delivery of both schemes, stakeholder engagement and willingness to participate is still unknown. There is also a risk around Delivery Agency capacity and who is best placed to deliver.
		Meeting needs	5	Some reservations around the ability meet required capability and capacity.	<b>Potentially increase:</b> Existing tools, processes and supply chain should meet the required capacity and capability.
<b>Bid Summary</b>		<b>Overall VfM rating = Low-Medium</b>			
This bid has good strategic alignment and on balance has the potential to deliver strong benefits, contribution to emissions reduction and other government outcomes. However, there are implementation challenges, and concerns over the market capacity and capability, and the level of other interdependencies required to realise these benefits. It may take longer than expected to implement the intervention to fully realise the benefits.					

**Interdependency:**

Limited dependencies, but to maximise the outcomes of the investment requires other parts of the system to operate effectively.



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# Clean Car Upgrade Trial (Equity- orientated vehicle scrap and replace)

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## 4 Options Analysis

As with the other Budget 22 initiatives covered by the TERP, options have been identified and analysed for the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace). The options analysis is set out in Appendix A.

The options that were analysed were:

1. The Delivery Agency (Waka Kotahi or EECA)
2. The use of Participant Advisors.

The conclusion of the options analysis was that MoT should engage further with management of EECA and Waka Kotahi to decide the most appropriate Delivery Agency and this should be prioritised given the amount of work required by the Delivery Agency to design and establish the scheme. Following engagement with both organisations and the Minister of Transport, Waka Kotahi has been selected as the Delivery Agency.

The options analysis also concluded that Participant Advisors are likely to be a positive addition to the scheme to support uptake and reduce the risk of fraud. The Minister of Transport has endorsed this position. The final decision on the nature of the Participant Advisors should be taken by the Delivery Agency as it will be accountable for the operational cost of the scheme and the management of risk including demand and potential for fraud.

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# 5 Initiative Scoping and Development

## 5.1 Introduction

The Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) is currently under development. In September 2022 Ministers will take decisions on the policy settings for the trial and consider releasing the tagged contingency established through the Budget 2022 process. The advice will be informed by continuing engagement with organisations including Waka Kotahi.

To support smooth implementation and provide sufficient certainty for the next phase, it is recommended that the September decisions Ministers take include the following:

- i. The target population (household characteristics and scrap vehicle types) and associated eligibility criteria
- ii. The location of the trials, the criteria for retired vehicles and the process of the scheme
- iii. The type of replacement vehicles that are eligible and low emission alternatives e.g., e-bikes, public transport
- iv. The level of grant available to households
- v. The release of tagged contingency funding, including the portion available for grant payments vs operation of the trial
- vi. The role of Participant Advisors and funding to be allocated to them
- vii. The framework for the trial including the objectives, time period, lessons to be learned from it and how decisions will be made whether to scale up/down or change course
- viii. The delivery model, including the roles and accountabilities of each Agency involved
- ix. The partnering / relationship management model for the industry

The four phases for the implementation of the trial are set out in the table below.

Phase	Activities – Clean Car Upgrade Trial (Equity-orientated vehicle scrap and replace)
<b>Design</b>	<ul style="list-style-type: none"> <li>— Empower Waka Kotahi to begin designing technology etc.</li> <li>— Engage community organisations to refine design of trial</li> <li>— Delivery Agency forms partnerships e.g. scrappers, e-bike providers, vehicles dealers, public transport providers</li> <li>— Finalise policy recommendations (informed by community organisations and Delivery Agency)</li> </ul>
<b>Establishment</b>	<ul style="list-style-type: none"> <li>— Funding and delivery agreement with Waka Kotahi</li> <li>— Oversight / governance established</li> <li>— Delivery Agency builds and tests technology and recruits delivery team, comms team and Participant Advisors</li> <li>— Final agreement on detailed design of the trial</li> <li>— MoT designs evaluation framework</li> </ul>
<b>Operations</b>	<ul style="list-style-type: none"> <li>— Trial is launched - technology goes live, communications etc.</li> <li>— MoT monitors progress (e.g. outputs), risks, benefits, expenditure</li> <li>— MoT checks lessons from trial at regular points</li> </ul>
<b>Evaluation</b>	<ul style="list-style-type: none"> <li>— MoT runs final independent trial evaluation and reports to Ministers on next steps</li> </ul>

A decision was made for Waka Kotahi to act as the lead Delivery Agency for this scheme due to the alignment of this program with the Clean Car Discount that Waka Kotahi administers. More information on the options analysis, including information on the alternative lead Delivery Agency (EECA), is provided in Appendix A.

The content below has been developed without engagement with Waka Kotahi and therefore should be considered a starting point for MoT and Waka Kotahi to engage on and develop a more detailed plan.

## 5.2 Key questions for initial engagement with Waka Kotahi

Prior to the September Cabinet report back, MoT needs to engage with Waka Kotahi on its role as Delivery Agency. The following questions have been developed to use as a starting point for initial discussions.

Question	Example considerations
What are the respective roles of the two organisations?	<ul style="list-style-type: none"> <li>— To what extent will decisions be delegated to Waka Kotahi and which items require MoT or the Minister to be involved in decision making?</li> </ul>
What are the key metrics for monitoring the trial through establishment and into operations?	<ul style="list-style-type: none"> <li>— Is it helpful to align the measures with the current CCD scheme?</li> <li>— How can Waka Kotahi keep MoT and the Minister updated on progress and risks during the establishment phase?</li> </ul>
Which assumptions need to be clarified by Cabinet to enable Waka Kotahi to proceed with establishing the trial?	<ul style="list-style-type: none"> <li>— What criteria is used to assess whether a scrapped vehicle is eligible?</li> <li>— Are there restrictions on the replacement vehicle or vehicle alternatives?</li> <li>— What is the grant amount?</li> <li>— What data should be collected for income verification?</li> <li>— Are there any eligibility criteria (including hard limits) for appointing delivery partners and other providers?</li> </ul>
Do new processes and systems need to be established, or can existing Waka Kotahi processes and systems be adapted?	<ul style="list-style-type: none"> <li>— What is the timeframe to design, establish and test the IST systems that can interface with delivery partners and Inland Revenue?</li> <li>— How will applicant data be collected and stored?</li> <li>— Could elements of this trial leverage existing systems in place for the CCD?</li> </ul>
How will Waka Kotahi build off the stakeholder engagement to date to work towards partnering agreements?	<ul style="list-style-type: none"> <li>— What support does Waka Kotahi require to identify suitable delivery partners and establish delivery relationships?</li> <li>— Does Waka Kotahi require support to engage with communities to help refine the trial design and inform final policy decisions?</li> </ul>
How long will it take to establish the trial and what are the key milestones along the way? What dependencies do you envisage?	<ul style="list-style-type: none"> <li>— When might policy and funding arrangements need to be in place?</li> <li>— When could the public be informed?</li> <li>— When will the systems be tested and ready?</li> </ul>
What are the resourcing requirements? For a) the design and establishment phase and b) the ongoing operation?	<ul style="list-style-type: none"> <li>— Communications team</li> <li>— Project management</li> <li>— Stakeholder management</li> <li>— IST</li> <li>— Finance</li> </ul>

	<ul style="list-style-type: none"> <li>— Legal</li> <li>— Participant Advisors</li> </ul>
<p>What is the establishment cost?</p> <p>What is the expected ongoing cost to run?</p>	<ul style="list-style-type: none"> <li>— FTEs</li> <li>— IST</li> </ul>

### 5.3 Overview of the proposed delivery model

MoT would have a high-level funding agreement with Waka Kotahi and Waka Kotahi would be responsible for designing, establishing, operating and evaluating the trial. MoT would set the high-level requirements for the trial (following decisions by Ministers) and Waka Kotahi would have freedom to design the detail of the implementation. Waka Kotahi would report to MoT regularly during the trial as part of the wider TERP so MoT could fulfil its obligations to monitor progress and emissions reduction. At the conclusion of the trial, Waka Kotahi would conclude evaluation and provide recommendations to MoT, who would then advise Ministers.

### 5.4 Commercial approach

MoT would have a funding agreement with Waka Kotahi which would set out:

- High level requirements for the trial including target population, funding cap and the intended lessons from the trial
- Process for funding draw down
- Reporting requirements

The intention is that there would be a high degree of delegation to the Waka Kotahi board.

Waka Kotahi would design its own commercial arrangements as it saw fit.

### 5.5 Governance, engagement and delivery

The trial would report into the wider TERP governance within MoT. The intention of reporting into the wider TERP governance is to coordinate across all TERP initiatives and manage programme-level benefits and risks.

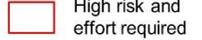
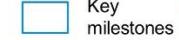
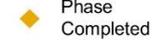
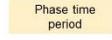
### 5.6 Activities and milestones

The following Gantt chart has been developed to provide a high-level timeline of the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) activities and milestones. It incorporates key milestones provided by the MoT policy team and the updated feedback from the Minister for an April launch date of trial.

The higher risk activities are bordered in red and require greater effort for implementation.

# SCRAP AND REPLACE ACTIVITIES AND TIMELINES

KEY



2022

2023

Date	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	ONGOING	
<b>Project initiation</b>	<div data-bbox="235 303 459 359" style="border: 1px solid blue; padding: 2px;">Trial of vehicle scrappage scheme announced in Budget 2022 (19 May)</div> <div data-bbox="235 367 459 422" style="border: 1px solid blue; padding: 2px;">Media release on scheme objectives and purpose (by 31 May)</div> <div data-bbox="235 430 459 486" style="border: 1px solid blue; padding: 2px;">Ministry advice on the trial scheme's process (by 31 May)</div>	<div data-bbox="481 351 571 422" style="border: 1px solid blue; padding: 2px;">Opinion piece on equity (by 30 June)</div>			<div data-bbox="806 303 907 470" style="border: 1px solid blue; padding: 2px;">Report to the Cabinet seeking approval, location(s) and commencement (by 30 Sept)</div>	<div data-bbox="929 303 1019 470" style="border: 1px solid blue; padding: 2px;">Media release on locations and objectives (by early Oct)</div>											
<b>Phase 1: Trial Design</b>		<div data-bbox="481 502 907 526" style="background-color: yellow; padding: 2px;">Empower Waka Kotahi to begin designing technology</div>															
		<div data-bbox="481 550 795 590" style="border: 1px solid red; padding: 2px;">Waka Kotahi forms partnership agreements in principle with delivery partners</div>			<div data-bbox="806 550 907 654" style="border: 1px solid blue; padding: 2px;">Finalise policy recommendations</div>	<div data-bbox="929 558 1579 582" style="background-color: yellow; padding: 2px;">Following cabinet approval, Waka Kotahi forms partnership agreements with delivery partners</div>											
		<div data-bbox="481 614 795 654" style="border: 1px solid red; padding: 2px;">Engage community organisations to refine design of trial through focus groups</div>				<div data-bbox="929 614 1355 654" style="border: 1px solid red; padding: 2px;">Continue to engage community organisations to refine design of trial through focus groups</div>											
<b>Phase 2: Trial Establishment</b>						<div data-bbox="929 742 1579 782" style="background-color: yellow; padding: 2px;">Waka Kotahi builds and tests technology and recruits delivery team, delivery partners, comms team and Participant Advisors</div>											
					<div data-bbox="806 805 907 909" style="border: 1px solid blue; padding: 2px;">Funding and delivery agreement with Waka Kotahi</div>	<div data-bbox="929 805 1131 845" style="background-color: yellow; padding: 2px;">Oversight/governance established</div>					<div data-bbox="1478 790 1579 893" style="border: 1px solid blue; padding: 2px;">Final agreement on detailed design of the trial</div>						
			<div data-bbox="593 885 694 989" style="border: 1px solid blue; padding: 2px;">Briefing on the design of scheme evaluation (by 31 July)</div>	<div data-bbox="705 965 1243 989" style="background-color: yellow; padding: 2px;">MoT designs evaluation framework</div>								<div data-bbox="1254 917 2161 941" style="background-color: yellow; padding: 2px;">Promotion of scheme to low-income communities</div>					
<b>Phase 3: Trial Operations</b>												<div data-bbox="1590 1013 1691 1117" style="border: 1px solid blue; padding: 2px;">Trial is launched - technology goes live, communications etc.</div>	<div data-bbox="1702 1013 2161 1037" style="background-color: yellow; padding: 2px;">Trial in progress</div>				
												<div data-bbox="1590 1125 2161 1149" style="background-color: yellow; padding: 2px;">MoT monitors progress (e.g. outputs), risks, benefits, expenditure</div>					
												<div data-bbox="1590 1157 2161 1181" style="background-color: yellow; padding: 2px;">MoT checks lessons from trial at regular points</div>					
<b>Phase 4: Trial Evaluation</b>												<div data-bbox="1590 1204 2161 1228" style="background-color: yellow; padding: 2px;">MoT runs independent trial evaluation and reports to Ministers on next steps</div>					

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## 5.7 Dependencies, assumptions and constraints

- September 2022 advice will need to enable decision making so that agreements can be finalised with the Delivery Agency and the trial can be established e.g. procuring systems, growing the team etc.
- Effective market engagement will be needed to inform policy decisions and the design of the trial
- The trial will target specific locations and the Delivery Agency will have capability to establish the systems and processes needed between September 2022 and April 2023.

## 5.8 Delivery risk assessment dependencies, assumptions

Risk	Description	Mitigation	
1	Delivery Agency decision	A Delivery Agency is yet to be agreed which could limit the time available to establish the scheme. The Delivery Agency should be involved in the engagement with industry and the development of advice to Ministers in September 2022	Senior engagement to secure a Delivery Agency prior to September
2	Time required to establish administrative processes, recruit and implement any technology needs	It is not yet known the technology, resources and processes that will be needed to operate the scheme.	Identify the Delivery Agency so it can advise on the time and resources needed (based on systems and resources it already has)
3	Time required to engage effectively with delivery partners	The delivery partners are key stakeholder for the smooth operation of the trial	MoT has begun engagement already and will collaborate with the Delivery Agency to handover relationships
4	Resources required to effectively evaluate the trial	Designing the evaluation of the trial and then collecting and monitoring data will require time and expertise	Retain the \$70k estimated in the Budget 22 bid
5	Demand for the scheme	The cost of lower emitting vehicles is relatively high in NZ compared to the value of the vehicles being scrapped which may make the replacement vehicles unattainable. Households may not desire the lower emitting vehicles.	Size the grant payment sufficiently high to facilitate access to a safe, low emitting second-hand vehicle. Prior to launch of scheme ensure there is robust data on the current cost of replacement vehicles. Allow a range of vehicles for different family size and uses. Participant Advisors could support understanding of the scheme and therefore demand.
6	Payment for vehicles that would have already been scrapped or weren't being used	Because the scheme is being targeted to low-income New Zealanders it is more likely to succeed in bringing forward the exit, from the fleet, of unsafe and high emitting vehicles.	

7	Payment to households who are not target (low income)	<p>Some people may attempt to access the scheme even if they are not part of the population that the scheme was designed for.</p> <p>The Clean Car Upgrade (Equity-orientated vehicle scrap and replace) scheme requires an effective and efficient mechanism for targeting low-income households. One possible mechanism would be to use the Community Services Card (CSC). However, it has significant limitations, including that low-income earners are underrepresented as they have to opt in to receive a CSC. Officials are exploring other targeting options.</p> <p>If the CSC were to be used as a targeting mechanism, it is unclear how long it would take to work through the potential policy and system changes required.</p>	<p>Income thresholds for individuals and households have been set.</p> <p>To apply to participate people have to declare their annual taxable income and their relationship status. Applications will be statutory declarations.</p> <p>Income data will be verified against IR data.</p> <p>Outreach and communications about the scheme will target low income communities.</p>
8	Industry appetite	<p>The Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) requires the co-operation and participation of the vehicle industry and scrappage industry. Both industries prefer a non-targeted vehicle scrappage scheme and may consequently not be willing to be involved with the trial.</p>	<p>Both industries can potentially benefit from the trial. Involve them early in the design of the trial as a way to increase the likelihood that they will participate.</p> <p>Discussion with MTA suggests there is willingness to participate for both dealers and scrappers. For scrappers a key element of this is allowing recovery of parts other than the engine. For dealers, this is a streamlined, online system with minimal "red tape."</p>
9	Supply of vehicles	<p>International supply chain shortages for new electric vehicles.</p> <p>Accelerated global demand for electric vehicles is outstripping current supply as supply chains struggle to fulfil a backlog of orders resulting from manufacturing delays associated with the pandemic and component shortages.</p> <p>Supply side shortages create the risk that demand created out of equity-</p>	<p>The risk of insufficient volumes of EVs and PHEVs will remain but people have the option to buy hybrids. In 2019, 1,472,281 new hybrids were sold on the domestic Japanese market. This compares with 21,281 new EVs and 17,609 new PHEVs. Hybrids are available across the majority of vehicle types and models. This will help counter the expected shortage of EVs and PHEVs.</p>

		oriented schemes is unfulfilled or deprioritised by suppliers seeking to satisfy high-valuer customers	
10	Inconclusive trial	The trial may not produce sufficient evidence to inform decision makers on the next steps e.g. whether to expand it into a full scheme	Develop the evaluation plan prior to the launch of the trial so that data is collected and KPIs measured throughout the scheme. Use a mix of output and outcome measures. Allocate sufficient resources to evaluation.

## 5.9 Key questions to answer from the evaluation of the trial

- What is the impact on families – transport outcomes, financial outcomes?
- What is the availability of charging facilities?
- Level of comfort with charging technology, EVs and managing charge
- Does the approach reduce financial stress for families?
- Is the proposed approach appealing to the target group?
- Does the scheme increase the safety of vehicles on the road?
- Does the scheme decrease the emissions of vehicles on the road?
- Which vehicles are most attractive to the target group? Including age, engine type, makes and models
- What are the actual maintenance and running costs of the replacement vehicles?
- How much time does the participant advisor spend operating the scheme?
- What distances and directions do people drive and what can that teach us about alternative forms of transport for future iterations?
- Are existing vehicle loan arrangements a barrier to participation in the scheme?
- How important is the role of a participant advisor in supporting participants through the scheme?
- What is the average condition and most common makes and models of vehicles participants are choosing to scrap?

## 5.10 Future funding considerations

The budget that has been provided for the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) may need to be reallocated between tasks to ensure it can cover:

- Designing and establishing the processes, technology and team required to operate the scheme
- Participant Advisors
- Evaluation of the trial
- Administration of the scheme
- Governance and monitoring of the scheme, including assurance and risk management
- Payments for replacement vehicles
- Cost of scrapping, transporting and disposal, allowing for adjustments related to any residual value resulting from the process

Alternatively, MoT may need to consider a further Budget bid in 2023.

The budget assumes \$70,000 for MoT to evaluate the trial and form recommendations on next steps.

# Social Leasing Trial



TE MANATU WAKA MINISTRY OF TRANSPORT

## 6 Options Analysis

As with the other Budget 22 initiatives covered by the TERP, options have been identified and analysed for the social leasing trial. The options analysis is set out in Appendix B.

The options that were analysed were the Delivery Agency (Waka Kotahi, s 9(2) EECA or MSD).  
(b)(i)

The conclusion of the options analysis was that MoT should take a more direct role in the delivery and engage one or more community “Integrators” s 9(2)(b)(ii) The Integrator(s) would then be responsible for identifying local community organisations that could engage with households at a local level and operate the trials outside government. These local level partners may be community housing providers (CHPs), Whānau Ora organisations or another community group.

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# 7 Initiative Scoping and Development

## 7.1 Introduction

The aim of the trial is to learn whether social leasing is an effective way to support lower income households to transition to safe, low emission vehicles, and if so, how best to operate a leasing scheme and provide government support.

The assumption is that there will be multiple social leasing schemes being run in a variety of communities. This allows locally-driven co-design processes to develop a local scheme that suits the needs of a local community. See the following section for the proposed delivery model.

The trial is still under development and Cabinet will consider the final design in September 2022 and the release of tagged contingency funding. There are four phases to the implementation of the social leasing trial. The following table sets out the high level milestones for the social leasing trial

Phase	Activities – Social Leasing Trial
<b>Design</b>	<ul style="list-style-type: none"><li>— MoT reaches agreement in principle with Integrator(s)</li><li>— Integrators test trial locations with local community organisations to inform final location decisions</li><li>— MoT develops core requirements for trials, based on feedback from Integrator(s)</li></ul>
<b>Establishment</b>	<ul style="list-style-type: none"><li>— Funding and delivery agreement with Integrators (October 22)</li><li>— MoT oversight/governance established (October 22)</li><li>— Integrators identify local Community Partners and begin community co-design workshops</li><li>— Integrators form partnerships with industry e.g. vehicle manufacturers, energy companies</li><li>— Integrators report to MoT on recommended trial designs. Funding agreement may need to be varied (March 23)</li><li>— MoT designs evaluation framework (March 23)</li></ul>
<b>Operations</b>	<ul style="list-style-type: none"><li>— Trial is launched</li><li>— MoT checks lessons and progress of trial at regular points</li></ul>
<b>Evaluation</b>	<ul style="list-style-type: none"><li>— MoT runs final independent trial evaluation and reports to Ministers on next steps</li></ul>

## 7.2 Overview of proposed delivery model

The proposed delivery model would occur outside government to support the scheme to be locally-driven and informed by local needs. MoT would be the key government agency involved. s 9(2)(b)(ii)

there is not currently capacity in Waka Kotahi to establish a range of further social leasing trials.

MoT's role will be to set the core government requirements for the trial, informed by feedback from the Integrators and management of Crown risk. MoT would manage contracts with Integrators, the distribution of funding and receive regular reporting of progress, outputs, risks and benefits. MoT would also be responsible to the independent evaluation of the trial.

The Integrators would be responsible for establishing the partnerships needed across industry and communities to design and operationalise the schemes in each community, including securing additional funding or assets. These could include:

- Vehicle distributors and dealers who may provide cars into the scheme at a discounted rate
- Vehicle maintenance providers
- Insurers
- Energy providers
- Charging station providers
- Community Partners to be the face of schemes locally

Community Partners would be local organisations that understand the needs of their community. They would participate in the community co-design process and would lead the engagement with households during the operational phase of the scheme.

Community partners bring existing and trusted relationships with the members of their community. Forming strategic partnerships with these groups ensures specific community needs are being met. Partnerships establish a common goal and create alliances between organisations that may not usually work together, ensuring authentic impact is being created. Partnerships often take time and effort, however if managed well, they can help achieve goals more effectively and with fewer resources. Social leasing services could complement existing community-led services, such as budget support.

The following section outlines the basic requirements for successful community engagement.

### **7.3 Objectives and basic requirements for community engagement process**

Early and direct engagement of intended beneficiaries has shown to result in more successful outcomes from transformational change efforts. Community led design is founded on the belief that representatives for the community should be involved from the outset to identify and conceptualise the problem to ensure solutions are fit for purpose. Traditional government planning and engagement practices tend to focus on individualised reading and writing which can marginalise members from more collectivist communities. In contrast, community led engagement can unite project sponsors and recipients, providing opportunity for sharing and learning<sup>1</sup>. It also provides for user-centred experiences to be better understood and incorporated into design.

There are a range of tools to guide community engagement, and ensure it is respectful, reciprocal, and meaningful. One example is the He Pikinga Waiora (HPW) Framework<sup>2</sup>, which could provide a reference the community engagement approach undertaken for this project. It was developed as a planning tool to guide the development and implementation of interventions founded on the principles of Kaupapa Māori research. While conceived out of an ambition to address equity concerns in the health industry, the four principles around community engagement, culture centredness, systems thinking and integrated knowledge translation also apply to the implementation process for this initiative.

The objective of following a framework is to ensure the process is not exclusionary, by ensuring the affected community has an opportunity to provide feedback, be involved in decision making and ensure that relationship between individuals and components is understood and respected at all levels.

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<sup>1</sup> Full article: [Community-led initiatives for climate adaptation and mitigation \(tandfonline.com\)](https://www.tandfonline.com)

<sup>2</sup> [The HPW Framework | He Pikinga Waiora \(hpwcommunity.com\)](https://www.hpwcommunity.com)

At a high-level, community engagement requires:

- Early involvement in defining the problem and as well as developing the solution
- The ability to respond and adjust to feedback received through the design process
- Consideration of the resourcing requirements over the lifetime of the initiative
- Strong partnership throughout the project, including shared decision making and communication
- Following a process for mutual learning such that knowledge is tailored to individual needs
- Cognisance to the many causes, solutions, perspectives and agents involved in the initiative
- Respect shown to the complex relationship between the variables such as time delays and feedback loops
- Rationale and context are provided about the maximum, medium and minimum level that the initiative may target

### **Key questions to answer from the evaluation of the trial**

The overall question to be answered by the trial is whether it should be continued and scaled up, and if so, how. This includes assessing whether government needs to have an enduring role or if similar schemes could be sustainably run in communities using the lessons learned from the trials. Specific questions that will be helpful to learn for future trials include:

- What is the impact on families – transport outcomes, financial outcomes?
- Has the financial stress of the cost of transport been reduced for families?
- Overall, is the structure of the scheme appealing to the target group (was demand as expected)?
- Has the scheme changed perceptions on the need to own a vehicle?
- What is the availability of charging facilities and does a future scheme need to include charging support?
- What is the level of comfort amongst households with charging technology, EVs and managing charge? Is it necessary to include EV charging education as part of a future scheme?
- Does the scheme increase the safety of vehicles on the road?
- Does the scheme decrease the emissions of vehicles on the road?
- Which vehicles best meet the needs of the target group and how necessary is it to provide a choice of vehicles to households?
- How much wear and tear do vehicles sustain and what is their resale value?
- What age vehicle is best suited to the scheme?
- What is the actual running costs of the vehicles, including insurance, power and maintenance?
- Is the weekly fee set at an appropriate level?
- What distances and directions do people drive and what can that teach us about alternative forms of transport for future iterations?
- How much time and resource does the Community Partner need to commit to the scheme?
- What are the administration cost of the scheme for government agencies, the Integrator and the Community Partner?
- Are there realistic private sector partnerships that will support future schemes e.g. in the automobile and electricity sectors?
- Is there capacity and appetite amongst community organisations to operate social leasing schemes in the future?
- What practical options are there for dealing with existing vehicle debt held by households?

## 7.4 Activities and milestones

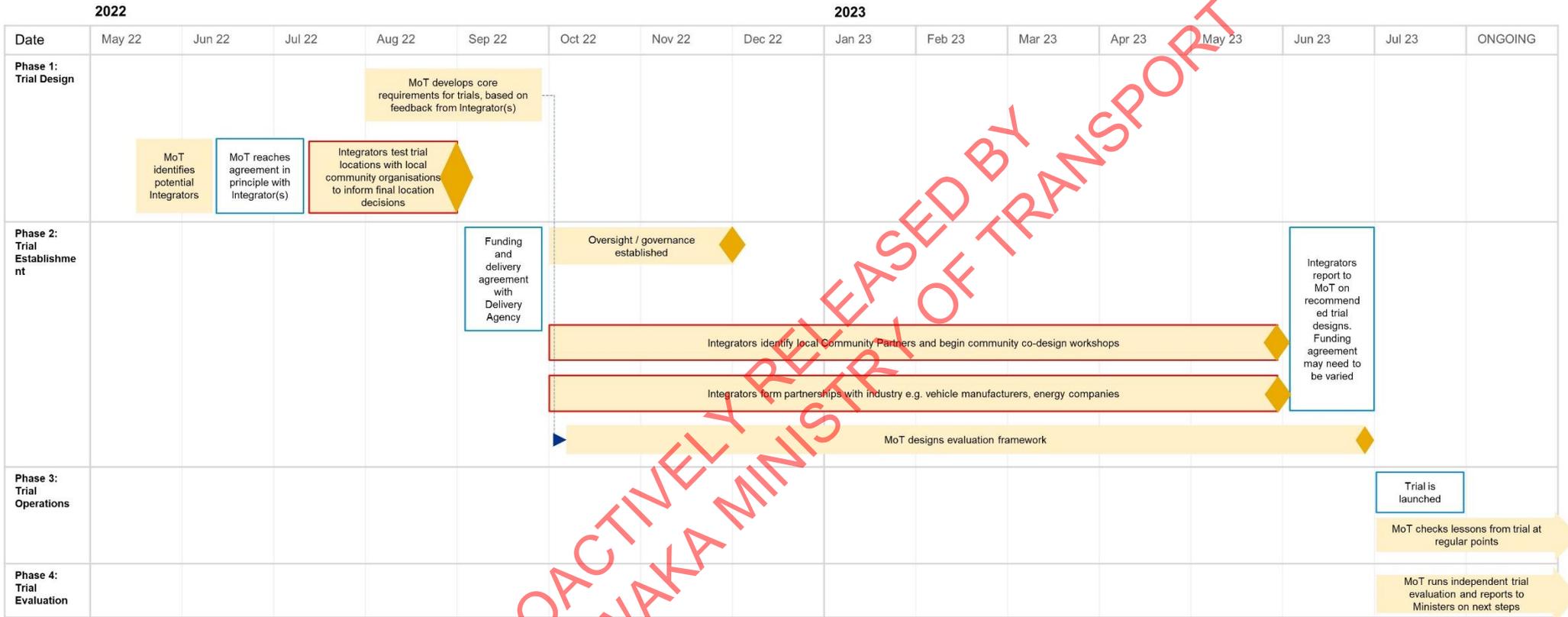
The following Gantt chart has been developed to provide a high-level timeline of the Social Leasing activities and milestones. It incorporates key milestones provided by the MoT policy team and the updated feedback from the Minister for a July launch date of trial.

The higher risk activities are bordered in red and required greater effort for implementation.

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# SOCIAL LEASING ACTIVITIES AND TIMELINES

**KEY** Phase time period (yellow arrow) Phase Completed (yellow diamond) Key milestones (blue box) High risk and effort required (red box)



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## 7.5 Dependencies, assumptions and constraints

- September 2022 advice will need to enable decision making so that agreements can be finalised with the Integrator(s) and the community co-design can begin.
- There needs to be appetite from other partners to be involved e.g. providing vehicles.
- The trial will be limited to a few local communities that will be selected by Ministers in September, informed by feedback from Integrators early engagement with potential partners.

## 7.6 Delivery risk assessment

Risk	Description	Mitigation
1	Time required to establish partnerships	MoT will need to identify Integrator(s) and then provide sufficient time for the Integrator(s) to secure partnerships/funding in industry and with community organisations
2	Time required to engage effectively with communities	Community co-design has been a key lesson from similar trials but will only be effective if communities feel they had time to engage in the process
3	Resources required to effectively evaluate the trial	Designing the evaluation of the trial and then collecting and monitoring data will require time and expertise
4	Demand for the scheme	Leasing a vehicle is relatively uncommon in NZ as the benefits are unknown (e.g. monetary savings). There is also a limited variety of low-emitting vehicles available. Additionally, households may not have access to charging facilities either at home, at work or in the community. Similar trials have found that demand has been lower than anticipated.
5	Supply of vehicles	International supply chain shortages for new electric vehicles. Accelerated global demand for electric vehicles is outstripping current supply as supply chains struggle to fulfil a backlog of orders resulting from manufacturing delays associated with the pandemic and component shortages.
		Supply side shortages create the risk that demand created out of

		equity-oriented schemes is unfulfilled or deprioritised by suppliers seeking to satisfy high-valuer customers	
6	Damage to vehicles / high maintenance costs	Vehicles in the social leasing scheme sustain a higher level of damage than anticipated because of risky driving behaviour and a lack of care by users.	The weekly fee would include full insurance cost. A leasing agreement would include clear conditions (e.g. complying with road legislation) for use of the vehicles that participants would agree to, including the consequences of misuse.
7	Stranded assets and households at the conclusion of the trial	The trial will be shorter than the asset life of a car and the transport needs of a household. Households will need clear transition into their next transport solution	Design the partnerships with industry so there is a clear path for the vehicles after the trial (e.g. scheme remains and vehicles continue to be leased, or vehicles return to manufacturer) Design the lease agreement with households so they are supported into a new lease arrangement or an alternative transport solution. The end of the scheme will be part of the community co-design process.
8	Inconclusive trial	The trial may not produce sufficient evidence to inform decision makers on the next steps e.g. whether to expand it into a full scheme	Develop the evaluation plan prior to the launch of the trial so that data is collected and KPIs measured throughout the scheme. Use a mix of output and outcome measures. Allocate sufficient resources to evaluation.

There is a risk of supply shortages with EVs and PHEVs. In 2019, only 21,281 new EVs and 17,609 new PHEVs were sold in Japan, compared to 1,472,281 hybrids and 2,614,090 fossil fuel vehicles. Unless Japanese EV production rapidly increases, we will not be able to import enough used-EVs to meet domestic demand from existing supply sources. Alternative supply from other right-hand drive countries could be restricted as demand for quality used-EVs in their respective domestic markets will be strong, and fewer may be sold internationally.

## 7.7 Future funding considerations

The budget that has been provided for the social leasing trial may need to be reallocated between tasks to ensure it can cover:

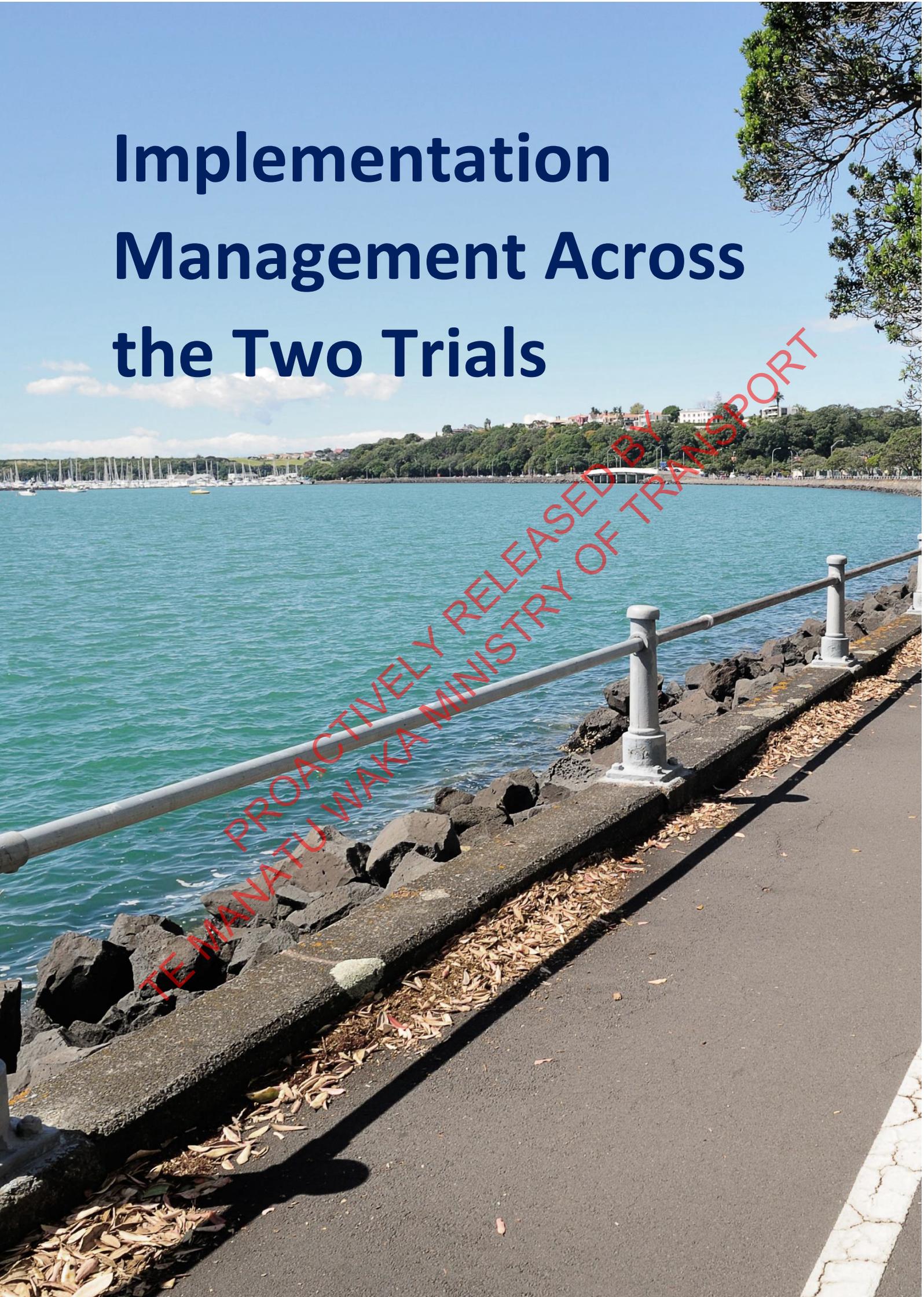
- The Integrator's costs to develop partnerships and facilitate community co-design
- Evaluation of the trial
- Administration of the scheme
- Governance and monitoring of the scheme, including assurance and risk management

Alternatively, MoT may need to consider a further Budget bid in 2023.

The budget assumes \$70,000 for MoT to evaluate the trial and form recommendations on next steps.

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# Implementation Management Across the Two Trials



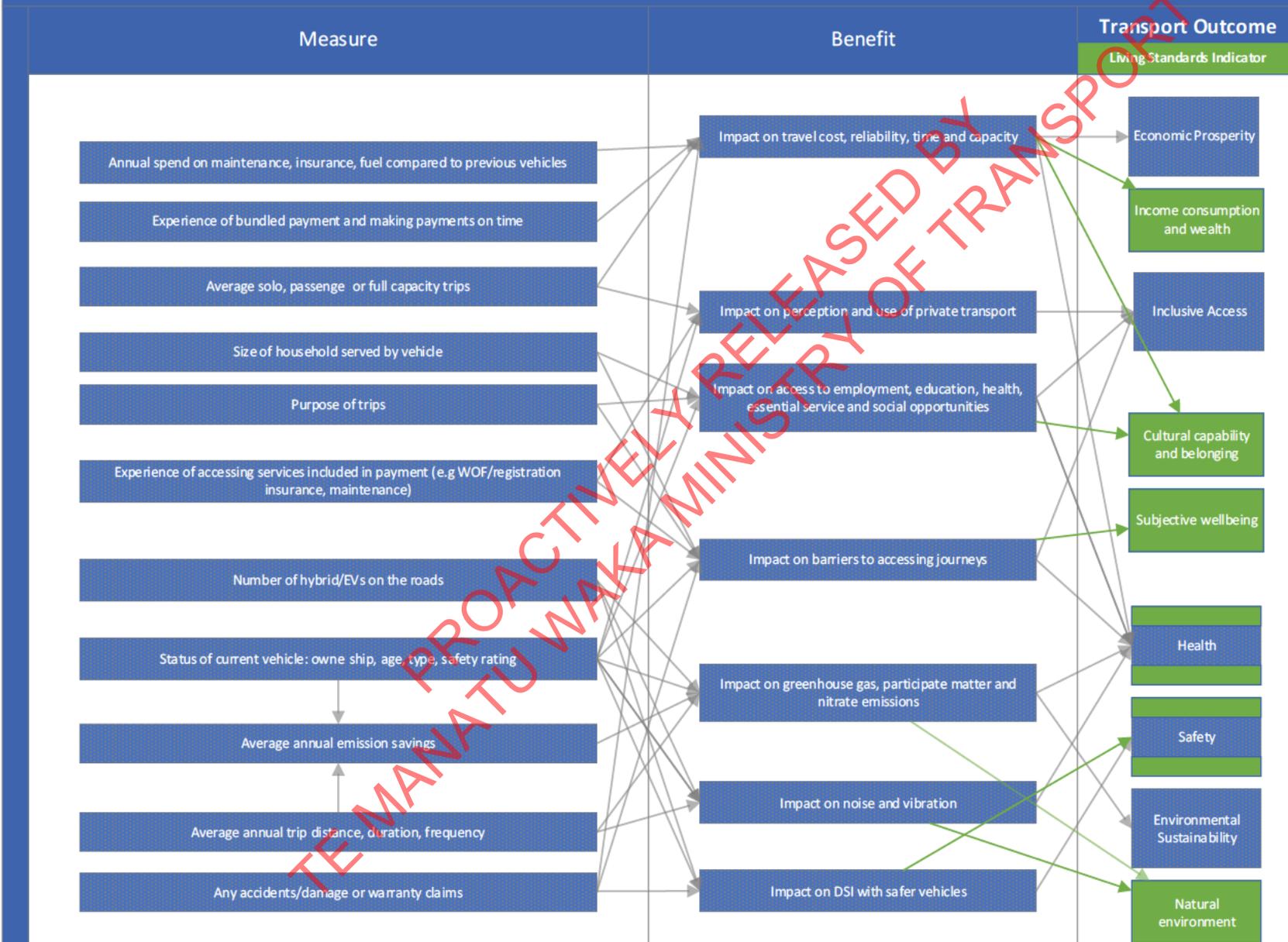
# 8 Initiative implementation management

## 8.1 Benefit Management

The Benefit Map below has been developed to explain how the benefits of the two trials contribute to the wider transport outcomes and how they will be measured. A Benefits Management Plan (BMP) will be developed with the Delivery Agency and Integrators as the design of the schemes develops. It will specify the benefits the investment will be required to deliver, and the evidence that will be required to prove the benefits have been delivered and the reporting and responsibilities.

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# Initiative 5 Benefits Framework



## 8.2 Quality management and assurance

It is recommended that there are two levels to MoT's role in the trials:

1. Day-to-day management of the trials across the design, establishment, operations and evaluation phases.
2. Monitoring of the trials as part of TERP, including holding the MoT team to account for progress, risks and benefits.

Quality management and assurance will occur through both roles. For day-to-day management MoT will perform quality management over the work of the Delivery Agency/Integrator including:

- Second opinion and challenge over the proposed partnering arrangements and design of the trials
- Management of Crown role and Crown risk in the trials
- Formal evaluation of the trial, likely through an independent third party.

For the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace), it is recommended that MoT ensures the Delivery Agency was independent IT assurance over the build, testing and delivery of any IT systems, or that MoT commissions its own IT assurance.

## 8.3 Reporting and delivery cadence

MoT will receive regular reporting from the Delivery Agency/Integrator to allow transparency of progress, risks and benefits. Reporting requires resources so must focus only on information that will drive actions or decisions. It is recommended that a short one-page template is designed with the Integrator/Delivery Agency to allow MoT to track progress during the design and establishment phases. This will then need to be updated into a contract management reporting framework during the operations that will be based on the specific terms of the contract.

The reporting during the design and establishment phases will be provided monthly, with an expectation that the Integrator/Delivery Agency will provide informal updates within months if there is a risk that needs to be communicated. The monthly reporting should cover:

- Recent and upcoming stakeholder engagements
- Partnerships/negotiation status
- Technology status
- Points that require a MoT decision
- Progress against agreed milestones
- Status of key risks
- Expenditure against budget, forecast expenditure to go

The MoT team will report into TERP governance as required by the TERP programme plan and will escalate significant risks and decisions to TERP governance if they cannot be satisfactorily resolved at the day-to-day management level.

## 8.4 Scope change management

Scope change management will be made through TERP governance, as recommended by the MoT team. TERP governance will decide where it can make the decision itself and where a decision needs to be escalated to Ministers.

The delegations and change controls will be specified on contracts with the Delivery Agency/Integrator. The types of changes that will be considered are:

- Eligible households
- Eligible vehicles or transport services
- Grants available to households
- Timeframes
- Scale
- Nature of relationships between Delivery Agency/Integrator and partners

## 8.5 Planning and schedule management

The Delivery Agency/Integrator will be involved in developing the detailed schedule for the trials, based around the four phases identified in this Plan. The Delivery Agency/ Integrator will be responsible for delivery against the schedule which will be agreed at September and updated at the launch of the pilot.

## 8.6 Procurement and contract management

MoT will be responsible for identifying and reaching agreement with the Clean Car Upgrade (Equity-orientated vehicle scrap and replace) Delivery Agency and the Social Leasing Integrator(s). This will be done by identifying capability and capacity of organisations. MoT will then manage the contacts with these parties (through the MoT's day-to-day management team)

The Delivery Agency/Integrator will be responsible for identifying and partnering with other agencies and businesses. MoT will not get involved in these activities.

## 8.7 Financial management and reporting

The Delivery Agency/Integrator will operate the day-to-day financial management and provide monthly reporting to MoT to facilitate drawdown of funding and allow MoT to monitor risks of cost overruns.

## 8.8 Document and information management

The MoT day-to-day management team will maintain structures electron filing system for contract and project management. This will comply with MoT's information policies.

## 8.9 Resources

MoT will need to allocate resources to support the design and establishment processes, and then to manage the contracts and expenditure going forward. Resources will be higher over the design and establishment phases and will reduce to a steady state during the operation phase.

The expectation is that this will be a separate team to the TERP programme team.

The evaluation will also require MoT resources to design the evaluation framework and then run the evaluation (or procure an third party to evaluate). The expectation is that these evaluation resources will sit outside the MoT day-to-day management team.

## 8.10 Stakeholder Engagement

### Engagement to date

Organisation	Role	Lead engagement party (MoT or KPMG)	Feedback and issues	Response
Ministry of Transport	Policy team	n/a	Integration with MoT existing work programme, including options and assumptions to re-test.	<p>MoT have provided background to the budget bids and supporting information.</p> <p>Consultation with MoT on a weekly basis and they have been part of the process mapping workshops for each scheme.</p> <p>Working with the wider MoT units, including the evaluation team to ensure coordination.</p>
Waka Kotahi	Principal Advisor – Vehicle Strategy  Safety, Health & Environment	KPMG and MoT	<p>s 9(2)(g)(i) [REDACTED]</p> <p>Provided feedback for briefings and the budget bid.</p>	<p>Exploring options for other locations (not South Auckland) s 9(2)(b)(ii) [REDACTED]</p> <p>Waka Kotahi have been part of the process mapping workshops for each scheme trial and bought into conversations when required.</p>
Energy Efficiency and Conservation Authority	Transport Infrastructure Lead and Senior Advisor, Policy & Engagement	KPMG	ECCA talked through their LETF, Warmer Kiwi Homes financial assistance for low-income New Zealanders and learnings from the LEVCF.	Supportive of initiative and alignment with their policy direction. Will continue to keep informed to ensure consistency remains with applications to the LETF and learnings shared.
s 9(2)(b)(ii) [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

			s 9(2)(ba)(ii)	
s 9(2)(ba)(ii)				
<b>Ministry of Social Development</b>		MoT	MoT policy team have engaged with MSD to understand their views on the loan vs grant component of the scrappage scheme. MSD raised concerns over loans adding further financial burden on low income communities and advised reducing the loan component and increasing the grant.	Policy team exploring the implications of increasing the grant component and the impact this will have on the number of people that can participant in the trial.
<b>Inland Revenue Department</b>		MoT	MoT policy team have engaged with IRD to understand their views on the loan vs grant component of the scrappage scheme. IRD raised similar concerns to MSD about loans adding further financial hardship on whānau.  Policy team has also engaged with IRD as the proposed targeting mechanism requires the use of Inland Revenue data to verify income information.	As above
<b>Motor Trade Association</b>		MoT	Expressed their support for the vehicle scrappage scheme and willingness to participate.  MoT support a general, not targeted, scrappage scheme.  MTA have connections with dealers and some scrapping firms, this is particularly useful for the scrappage industry	MTA indicated willingness to connect MoT with scrapping firms and dealers

			which does not have extensive engagement with government at a national level.	
<b>Financial Services Federation (FSF)</b>		MoT	FSF have been interested in social leasing for a number of years. Explore partnering opportunities through their connections with vehicle suppliers and how they could assist in the delivery.	
s 9(2)(ba) (ii)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

### Future Stakeholder engagement

Who	Reason for engaging	When
<b>Ministers</b>	Suggest Minister of Transport met with Minister of Energy to discuss benefits of EECA's involvement	May
<b>Potential Integrators</b> s 9(2)(b)(ii)	To test interest in being an Integrator for the Social Leasing trial and the design of the trial	May - July
<b>Community Partners</b> s 9(2)(b)(ii)	Understand the appetite for participating in a social leasing scheme and how their community needs can be met through the trial. Will inform Ministers' decision on location and scale of schemes within the trial.	June - August
<b>Ministry of Social Development</b>	Contribute to the design of the trials	May - September
<b>Social services organisations</b>	Community-based organisations will help shape the final design of the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) to reduce the risk of low demand	June - August
<b>AA</b>	Explore potential connections with vehicles scrappers and dealers.	TBC

<b>Motor Trade Association</b>	Further engagement required to discuss with industry players, such as scrapping firms and dealerships.	TBC
<b>Car scrappers</b>	Ultimately car scrapping businesses will need to be involved in the scheme so need to test the proposed structure/design before it is launched. Engagement to be led by Delivery Agency.	TBC
<b>Public transport organisations e.g. Auckland Council</b>	Vouchers may be provided for public transport so need to test options for offering and administering the vouchers. Engagement to be led by Delivery Agency.	TBC
<b>Alternative transport providers e.g.</b>	Vouchers may be provided for e-bikes and other forms of transport services so need to test options for offering and administering the vouchers. Engagement to be led by Delivery Agency.	TBC
<b>Target audience / participants</b>	Ensuring the design and structure of the trials directly meets the needs of key stakeholders in target demographics.	Post September

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# Appendices

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# Appendix A: Clean Car Upgrade Trial (Equity-orientated vehicle scrap and replace)

## Options Analysis

The purpose of this section is to analyse the elements of the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) that are not fixed (i.e. have not been set through the policy work programme), to support government to decide on its preferred implementation path.

This section first sets out the working assumptions for the scheme that will not change regardless of the option, then identifies the elements that require option analysis, and then defines and evaluates the options.

The evaluation is conducted by MoT, drawing on input from Waka Kotahi and other agencies as relevant.

### Assumptions and constraints

#### General

- Low-income households experience transport inequity because they have a restricted capacity to afford low emissions transport solutions that meet their needs.
- Low-income households already experience transport disadvantage, and this will intensify as efforts increase to decarbonise transport.
- Transport-related costs, including debt associated with vehicles are significant drivers of hardship for lower socioeconomic households.
- Without support, the low upfront cost of ICE vehicles will continue to make that option more appealing to low income families despite a lower lifetime total cost of ownership of lower emissions vehicles.
- The volume and range of low-emission vehicles available on the market will continue to expand. This range will meet the diverse vehicle needs of low-income households

#### Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace)

- The Clean Car Discount's rebate (i.e. the direct benefit) is being captured by high- and middle-income New Zealanders.
- The trial's targeting mechanism will be successful in minimising the participation of people who do not need assistance to buy safe, low- emission vehicles.
- The assistance would be in the form of a grant based on a multiplier applied to the Clean Car Discount rebate. The proposed multiplier is 1.4. This would allow people who opt to replace their scrapped vehicle with an EV, or low-emission alternatives to receive \$12,075. The purchase of PHEVs and hybrids would attract lower amounts according to their CO<sub>2</sub>/km emissions. The form and amount of the assistance will be decided by Cabinet in September following further engagement with the Delivery Agency and community organisations.
- The level of the financial incentives will be sufficient to enable low-income households shift to low-emission vehicles, or low-emission alternatives, without financial hardship.
- The current substantial fuel cost difference between using a petrol vehicle versus an EV, or hybrid will remain, if not increase.
- A range of low-emission vehicles and safe vehicles are available that will meet the divergence needs of low-income households.
- Fewer low-income households own low-emitting vehicles (i.e. EV, PHEVs and hybrids).

- The people who opt to receive vouchers for travel on low emission modes do not subsequently purchase a cheap high-emitting vehicle
- Low-income households predominantly own vehicles with 1-2 star safety ratings.

## Option Identification

The following elements of the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) have been identified for option analysis:

- 1 The potential role of Participant Advisors
- 2 The Delivery Agency

Each of these elements are unique and require their own framework for analysis. The tailored evaluation frameworks have been outlined below.

## Option analysis of the use of Participant Advisors (case managers)

A Participant Advisor, also known as a case manager, is a community-based role that supports a household to navigate its way through the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace). The purpose is to help households to engage effectively with the scheme which will support uptake and the delivery of the benefits.

Participant Advisors also play a role in minimising the risk of misuse of the scheme by individuals and vehicle dealers. For instance, there is a significant risk that vehicle dealers will raise the retail prices of vehicles subsidised through the scheme. To mitigate this risk, the Participant Advisors would maintain an overview of low-emission vehicles on the market and their prices. Where dealers appear to raise their prices above market levels, they would assist participants negotiate prices down, or redirect them to competing dealers.

This section outlines the potential role and appointment of Participant Advisors.

### Option definition

Four options have been short-listed:

- 1 Appoint Participant Advisors to each household
- 2 Participant Advisors available if required
- 3 Call/support centre
- 4 No Participant Advisors

#### Appoint Participant Advisors to each household

Through the appointment of a Participant Advisor, the participant is provided with the tools and information to complete the application process, as well as the opportunity to ask questions, increase comfort and knowledge of the trial, and learn more about low emissions vehicles. The Participant Advisors would be responsible for helping the participant to:

- Navigate the application process, including vehicle and financial information required
- Provide an initial review of the application documentation
- Provide education on low emission vehicles
- Ongoing support for the maintenance and aftercare of the vehicle
- Working with the participant to report on the success of the scheme.

CASE STUDY: Clean Cars for All - the South Coast Air Quality Management District (SCAQMD, which calls the program "Replace your Ride" locally).

The SCAQMD programme currently has three different contractors for case management. Once an application is submitted to the programme, a case manager (Participant Advisor) is assigned. The case manager then reaches out to the participant to introduce themselves, let them know they are their case manager and identify any missing gaps in their application. Feedback from this programme suggests that the case management process is sufficient for helping most applicants complete their applications.

Case managers are also responsible for holding weekend workshops (prior to the covid pandemic) to help applicants with issues that are difficult to manage over the phone, such as uploading documents to the website, and providing guidance on how to complete the vehicle purchase process. The SCAQMD programme has also brought district and contractor staff with multilingual skills to weekend workshops to enhance the case management process.

### **Participant Advisors available if required**

Participant Advisors could be available to participants throughout the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace), when and if required or requested. This allows the participant to have the option for being assigned a Participant Advisors to support them through the process. A participant may either self-select, or the community organisation may recommend a Participant Advisors is used.

*CASE STUDY: Clean Cars for All - the Bay Area Air Quality Management District (BAAQMD).*

The BAAQMD programme has case managers available to help participants with the common challenges in the application process, such as navigating the online application process. Prior to Covid-19, case managers would invite participants to their office to support them with the process. This has had to change due to the pandemic, and now operates in a more flexible manor, however they ensure that participants will get a response within two days. They have also had to transition to video calls for verifying retirement vehicles are still operating, which used to require a visit to the dismantler. This programme has received substantial positive feedback from participants on the case management process, especially during the pandemic.

### **Call/support centre**

Rather than having Participant Advisors, assistance could be provided through a support call centre. This allows participants to call (or message / email) a free number and get the support they require for the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace). Therefore, giving them the opportunity to talk to a real person, at a time that suits them, when and if questions arise.

*CASE STUDY: Clean cars for All - the San Joaquin Valley Air Pollution Control District (SJVAPCD)*

In the SJVAPCD programme, people are available for direct assistance when participants enquire. After initial contact with potential applicants, someone will follow up with participants on their application process. They have significantly shifted this process to meet community needs and aim to be available via phone and email within and outside regular business hours. This is due to each participant having different needs, whether scanning and emailing documents, or requiring translation service, and ensuring those needs are met when required.

### **Absence of Participant Advisors**

This option removes the Participant Advisors role entirely, instead the participant communicates directly with the Administrating Agency, car dealer and car scrapper. The information is therefore communicated through other means such as, FAQs and online materials on the application process, EVs, charging EVs, benefits.

*CASE STUDY: New Zealand Clean Car Discount*

The New Zealand Clean Car Discount programme allows participants who choose to purchase a zero or low-emissions vehicles to be eligible for a rebate. PHEVs, hybrids and low emission vehicles get a rebate based on their carbon emissions level. An applicant applies online by providing a copy of the vehicle offer and sale agreement, proof of the registered person's bank account and the GST number (if the vehicle is being used for business purposes). Waka Kotahi receives and monitors applicants and transfers the rebate amount, therefore no case managers are involved, and all information is available online.

## Evaluation framework

The key considerations for the extent of Participant Advisors support this is provided are:

- Needs of the local community. They may be existing support networks that can be utilised in the local community rather than a dedicated Participant Advisors. Alternatively, the local community may also be well equipped to navigate the scheme and have low need for Participant Advisors
- The nature of the operating model and user interface. The simplicity of the user interface will affect the need for Participant Advisors. For example, if a user can engage through existing, familiar channels and there is good public information, then there may be less need for a Participant Advisor.
- Affordability. A support centre or dedicated Participant Advisor brings additional cost.

The four options have been evaluated based on a set of criteria (see section below). [note: draft ratings below for MoT to comment on].

## Option analysis and scoring

An indicative evaluation has been set out below. This process has shown that there is not yet sufficient evidence to make an informed decision on the value and role of Participant Advisors.

Criteria	Appointment of Participant Advisors	Participant Advisors optional	Call/support centre	Absence of Participant Advisors
Extent that it supports delivery of the benefits	4	4	3	2 – risk of poor uptake
Extent that it supports education of communities on low emission options	4	3	2	2
Simple, efficient and effective user experience	4	4	3	2
Ease of implementation and administration	2	2	2	3
Extent that it supports lessons from the trial to inform future decisions	4	4	4	4
Affordability	2 – however could reallocate funds and support fewer households	2	2	4
Minimising risk of misuse	4	3	1	0

4 = very good alignment with principle

3 = good alignment with principle

2 = poor alignment with principle

1 = very poor alignment with principle

## Preferred option

This process has shown that Participant Advisors would likely support the realisation of the benefits, but come at an additional cost and therefore could mean that fewer households are supported.

The operating model for the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) will be designed with the Delivery Agency following a period of market engagement in June/July 2022. It is recommended that the use of Participant Advisors is allowed for in the budgeting and the decision on the extent of support is not made until the local communities have been decided and local needs are known.

## Options analysis of potential Delivery Agency

The Delivery Agency will be the entity responsible for running and operating the trial. They may choose to form partnerships with community organisations and/or businesses to support the delivery. This section outlines the options of appointment for the delivery agency to administer the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace).

### Option definition

Two options have been short-listed:

- 1 Waka Kotahi
- 2 Energy Efficiency and Conservation Authority (EECA)

#### Waka Kotahi

Waka Kotahi is focused on providing one integrated land transport system that helps people get the most out of life and supports business. Waka Kotahi is the administrator of the Clean Car Discount scheme and has familiar channels for communication and processes e.g. vehicle registration.

#### Energy Efficiency and Conservation Authority (EECA)

EECA is responsible for promoting energy efficiency and the use of renewable energy sources. It administers a range of government programmes and offers a range of funding options aimed at incentivising the uptake of clean energy and low emissions transport.

### Evaluation framework

The key considerations for the most appropriate delivery agency are:

- Ability to engage effectively with the target population (channels of communication, understanding of needs, location, capacity)
- Ability to administer the scheme robustly and efficiently. The final design of the scheme will impact the evaluation of this.
- Ability to design and establish the scheme within the timeframes and work with MoT to ensure robust evaluation of the trial to inform future government investment decisions.

The two options were considered based on a set of criteria (see section below). A session was intended to populate the scoring collaboratively with MoT but the evaluation was progressed through Steerco discussions and a decision from the Minister.

### Option analysis and scoring

An indicative evaluation framework is provided below.

Perspective	Measure	Waka Kotahi	EECA
<b>Financial</b>	Cost to initiate contract		
	Cost to scale up/deliver contract		
	Financial viability		
<b>Organisational Capacity</b>	Ability to invest to deliver program		
	Alignment with other business priorities		
	Willingness to engage with initiative		
<b>Business Processes</b>	Existing technology infrastructure		
	Existing human capital		
	Existing relationship with MoT		
	Alignment with existing initiatives offered		
	Ability to start small and scale		
<b>Customer</b>	Recognition by target group		
	Understanding of target group		
	Ability to work with other agencies		
<b>Vehicle knowledge</b>	Understanding of vehicle market		
	Understanding of vehicle regulation		
	Understanding of key policies to facilitate the move to a low emissions transport system		

### Preferred option

Waka Kotahi

### Alternative delivery agency scenario

Two scenarios were considered, either Waka Kotahi or EECA. Analysis for the Waka Kotahi option which was selected is provided in **Section 5**. Information on the options analysis for the scenario where EECA act as the lead Delivery Agency is provided below.

In this scenario, MoT would form an agreement with EECA to execute the trial of the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace). MoT would set the requirements of the scheme (based on decisions taken by Cabinet) and EECA would design and then execute the processes required to:

- Build the technology systems to enable applicant information to be verified against IR data to robustly check eligibility
- Interface with the target population (e.g. website)
- Select, secure engagement and interface with the relevant delivery partners
- Contract the Participant Advisors
- Monitor commercial relationships
- Industry-level relationship management
- Assess eligibility
- Process payments
- Provide assurance over the scheme e.g. vehicles being scrapped
- Collect data on the use of the scheme to support evaluation of the trial

MoT would remain responsible for:

- The strategy and framework for the scheme
- Collaborating with EECA through the development of the detailed implementation plan, including the plan for partnering with agencies for Participant Advisor services and focus groups with community organisations
- Managing the contract with EECA to administer the scheme
- Evaluation of the trial
- Decisions to change the scope or expand the trial
- Integrating the EECA communications for the scheme into the wider ERP communications

If EECA was unable to administer the scheme, then an alternative Agency could be used under this scenario. As shown in the Options Analysis section of this Plan (see Appendix A), the Agency would need to be able to engage directly with households, have experience processing high volumes of payments and assessing eligibility, have experience managing risks and ideally have connections with the automobile industry.

### **Commercial approach**

MoT would establish a delivery agreement with EECA, who in turn would establish related agreements and relationships with organisations needed to administer the scheme.

It is recommended that MoT's relationship with EECA is managed through a contract that specifies:

- The requirements for the scheme e.g. target households
- The delegation of decisions to EECA and those that remain with MoT
- The process under which MoT will make payments to EECA
- The reporting requirements on EECA

There may be two contracts with EECA – one to cover the period up to the launch of the scheme (i.e., to fund EECA to design and establish the processes, technology and staff needed to administer the scheme), and one to cover the operation of the scheme (i.e., April 2023 onwards).

Where EECA has the capability to efficiently and effectively manage a risk, then those elements of the scheme should be delegated, including accountability, to EECA. For example, EECA should be responsible for specifying and procuring the technology it needs to assess eligibility and process payments and should be accountable for the functioning of that technology. Equally, EECA may want freedom to design its commercial relationships with delivery partners as long as they are within the requirements set by MoT.

### **Governance, engagement and delivery**

MoT will govern the trial and be responsible for evaluating the trial and providing advice to Ministers. The Minister for Transport will retain decision making rights for any changes to the core requirements for the trial such as the time period, the eligibility criteria and the size of grant. EECA will have decision making rights for operational decisions as defined through the contract with MoT.

EECA's role is operational and it may choose to put its own project-level governance in place or utilise its existing frameworks.

# Appendix B: Social Leasing Options Analysis

The purpose of this section is to analyse the elements of the social leasing trial that are not fixed (i.e. have not been set through the policy work programme), to support government to decide on its preferred implementation path.

This section first sets out the working assumptions for the scheme that will not change regardless of the option, then identifies the elements that require option analysis, and then defines and evaluates the options.

The evaluation is conducted by MoT, drawing on input from Waka Kotahi and other agencies as relevant.

## Assumptions and constraints

### General

- Low-income households experience transport inequity because they have a restricted capacity to afford transport solutions that meet their needs.
- Low-income households already experience transport disadvantage and this will intensify as efforts increase to decarbonise transport.
- The volume and range of low-emission vehicles available on the market will continue to expand. This range will meet the diverse vehicle needs of low-income households

### Social leasing trial

- People will be willing to lease a vehicle rather than own a vehicle.
- The weekly-fee of \$100 will be affordable enabling low-income households to shift to low-emission vehicles without financial hardship
- A range of low-emission vehicles are available that will meet the divergence needs of low-income households.

## Option Identification

The following elements of the Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace) have been identified for option analysis:

- 1 The Delivery Agency

Each of these elements are unique and require their own framework for analysis. The tailored evaluation frameworks have been outlined below.

## Options analysis of potential Delivery Agencies

The Delivery Agency will be the entity responsible for running and evaluating the trial. They may choose to form partnerships with community organisations and/or businesses to support the delivery.

### Option definition

Four options have been short-listed:

- 1 Waka Kotahi
- 3 Ministry of Social Development (MSD)
- 4 Energy Efficiency and Conservation Authority (EECA)

## Waka Kotahi

Waka Kotahi is focused on providing one integrated land transport system that helps people get the most out of life and supports business. Waka Kotahi is the administrator of the Clean Car Discount scheme.

If Waka Kotahi is the Delivery Agency then it could choose to either be directly involved in the delivery of the scheme, or to play a more hands-off funding/evaluating role s 9(2)(b)(ii)

s 9(2)  
(b)(ii)

## Ministry for Social Development (MSD)

MSD advises the government on social policy and provides social services to help build successful individuals, families and communities. They are focused on:

- employment, income support and superannuation services
- funding to community service providers
- social policy and advice to government
- student allowances and loans
- social housing assistance.

## Energy Efficiency and Conservation Authority (EECA)

EECA is responsible for promoting energy efficiency and the use of renewable energy sources. They offer a range of funding options aimed at incentivising the uptake of clean energy and low emissions transport.

## Evaluation framework

The key considerations for the most appropriate Delivery Agency are:

- Number and location of the trials
- Feedback from the market engagement on the most effective scale of trials and financial support necessary
- Ability to engage effectively with the community groups who will be interfacing with the households
- Ability to engage effectively with the business who could partner (e.g. vehicle suppliers, electricity suppliers)
- Ability to administer the scheme robustly and efficiently. The final design of the scheme will impact the evaluation of this.
- Ability to design and establish the scheme within the timeframes and work with MoT to ensure robust evaluation of the trial to inform future government investment decisions.

A session was intended to populate the scoring collaboratively with MoT but the conclusion of the options analysis was that MoT should take a more direct role in the delivery and engage one or more community "Integrators" s 9(2)(b)(ii).

## Option analysis and scoring

An indicative evaluation has been set out below.

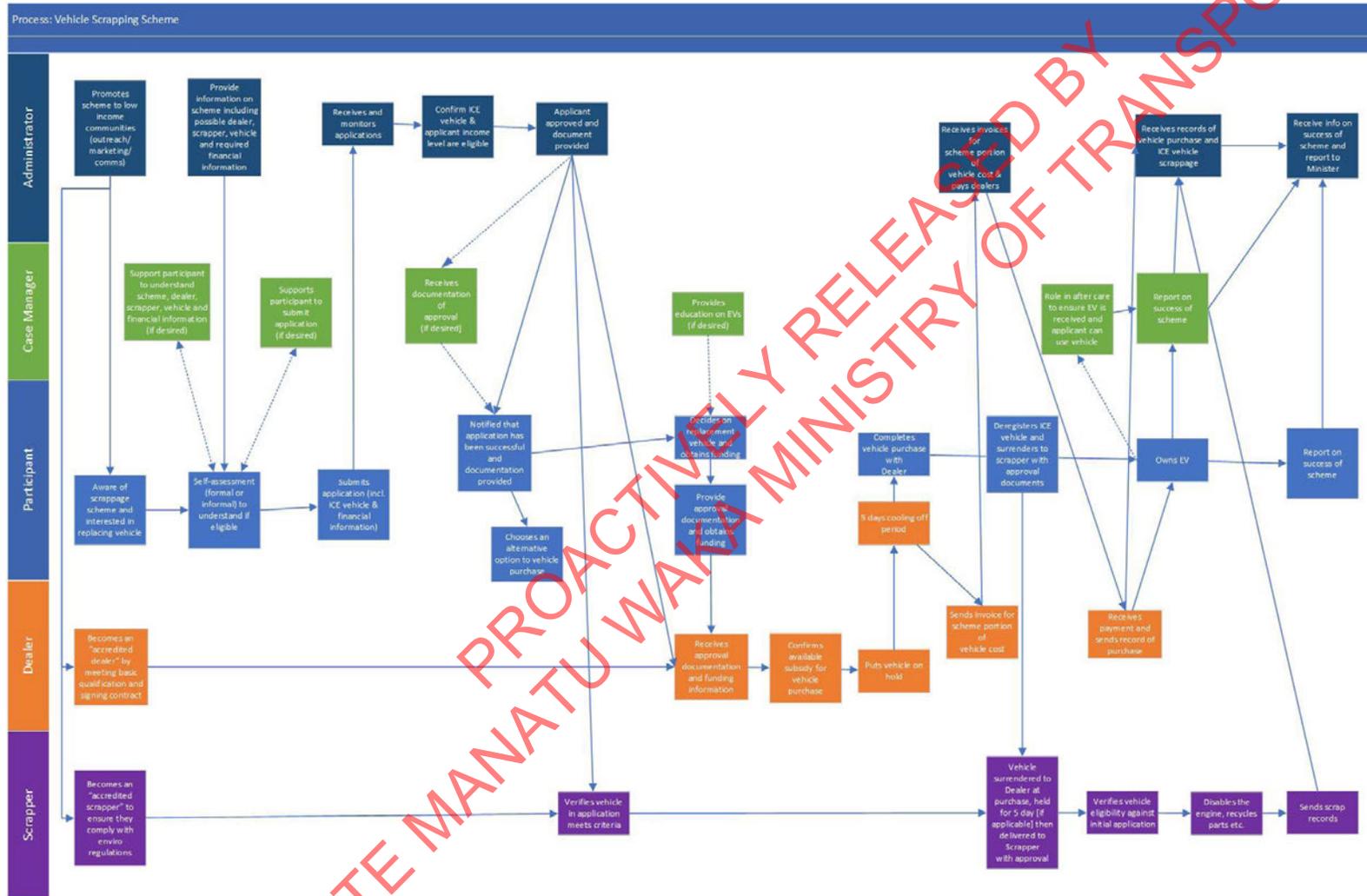
Perspective	Measure	s 9(2)(b)(ii)	Waka Kotahi	MSD	EECA
<b>Financial</b>	Cost to initiate contract				
	Cost to scale up/deliver contract				
	Financial viability				
<b>Organisational Capacity</b>	Ability to invest to deliver program				
	Alignment with other business priorities				
	Willingness to engage with initiative				
<b>Business Processes</b>	Existing technology infrastructure				
	Existing human capital				
	Existing relationship with MoT				
	Alignment with existing initiatives offered				
	Ability to start small and scale				
<b>Customer</b>	Recognition by target group				
	Understanding of target group				
	Ability to work with other agencies				

## Preferred option

MoT to identify potential "Integrators".

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TE MANATU WAKA MINISTRY OF TRANSPORT

# Appendix C: Journey Map for Clean Car Upgrade trial (Equity-orientated vehicle scrap and replace)



# Appendix D: Journey Map for Social Leasing

