

2003 Vehicle Emissions Regulatory Impact Statement (RIS) and Business Compliance Cost Statement (BCCS)

Statement of the nature and magnitude of the problem and the need for government action

Local air quality problems as a result of vehicle emissions are a significant source of health problems, including asthma, heart disease and bronchitis. A Ministry of Transport report released in 2002 estimated that around 400 people, aged 30 and over, die prematurely each year due to exposure to vehicle emissions. The major pollutant of concern is air borne particulate matter. This air quality problem is particularly prominent in Auckland.

There are currently no standards-based motor vehicle tail-pipe emissions construction requirements in New Zealand regulation. The majority of new light commercial diesel vehicles, approximately three-quarters of heavy diesel vehicles and a small number of light petrol vehicles currently imported into New Zealand are not manufactured to any recognised or appropriate international emissions standards. The continued importation of these vehicles could mean that New Zealand becomes a dumping ground for older emissions technology vehicles. The majority of imported used vehicles are currently manufactured to appropriate international emissions standard. Approximately 5% of new and used passenger vehicles imported into New Zealand are not built to any approved emissions standard.

Statement of public policy objectives

1. Improving local air quality and health by improving the overall New Zealand vehicle fleet emissions performance.
2. Ensuring New Zealand keeps pace with international emissions technology advances.
3. Meeting Cabinet requirements in the Vehicle Fleet Emissions Control Strategy [ECO (99) M 13/8 refers], inviting the Minister of Transport to develop and formalise an emissions standards regime for vehicles entering the national fleet.

Feasible Options

Option A - Status Quo: There is currently no emissions requirement as part of the certification for entry into the fleet, or at the time of Warrant of Fitness (WoF) or Certificate of Fitness (CoF) tests in New Zealand. However, the Motor Industry Association, which represents the new vehicle industry, currently has a 'voluntary agreement' requiring all members to import only petrol passenger

cars **manufactured** to the latest international emissions standards. This agreement applies only to petrol passenger cars, but not to other vehicle classifications such as heavy vehicles or diesel vehicles and is not part of the certification process for vehicles entering the fleet.

Option B - The Rule: A rule would require **all** imported into New Zealand after a certain date on or after 1990 to be **manufactured** to a relevant international emissions standard, in as far as our fuel quality allows. This would be a mandatory minimum requirement. A rule would phase out vehicles not manufactured to a recognised international emissions standard from 2004-2008. The relevant international emissions standards are from the four main jurisdictions (US, EU, Japan or Australia) New Zealand imports its vehicles from. This 'smorgasbord' approach (recognising standards from the four main jurisdictions) is used in other Land Transport Rules. The phase-in period for this Rule will allow more stringent requirements to be introduced in parallel with changes to the Petroleum Products Specifications Regulations.

Currently, new vehicle importers pre-order vehicles to specified standards and self-certify vehicles for entry into the fleet in a system audited by the LTSA. LTSA Agents certify used vehicles for entry into the fleet. Used imports would have to prove compliance with this rule by three means: a de-registration certificate (currently compulsory for imports from Japan); proof of prior registration for use in a country that recognises the standards from the four jurisdictions we recognise standards from or a 'Statement of Compliance' which lists all standards the vehicle is manufactured to (the 'Statement of Compliance' is currently obtained as evidence of the 27 safety standards for the 10% of non-Japanese vehicles imported).

Option C - Rule Expanded: This option would extend the rule's requirements to full emissions testing at the border prior to all imported vehicles being certified for entry into the fleet. It was also suggested that vehicle's emissions performance should be tested at the time of WoF or CoF.

Option A would require more incentive for the new vehicle industry. Currently there is little incentive for industry to voluntarily import new vehicles that are built to an international emissions standard, apart from petrol passenger cars, due to the price differential for lower emissions capable vehicles and increased competition from the used vehicle market. There are breaches of the current voluntary agreement for passenger vehicles (Option A). For diesel vehicles, partly due to current fuel quality issues, there has also been little or no incentive to import new diesel vehicles

(particularly heavy) manufactured to international emissions standards beyond the minimum specification available.

The requirements of the rule (Option B) would be phased in. This would allow the new vehicle industry time for the planning and development of new model ranges. The rule would take into consideration the timetable for changes in fuel specifications, as provided by the 2002 Petroleum Products Specifications Regulations, as the emissions performance of the emissions technology is dependent upon the use of appropriate fuel, among other things. Option B has the support of the industry as the least intrusive option for improving air quality by improving the low emissions capability of vehicles entering the fleet. It is recommended that the Government proceed with Option B.

Option C is likely to have significant set up and administration costs with the various options available. The Ministry is currently investigating options for introducing an emissions screening, testing and vehicle maintenance regime in New Zealand.

Statement of the Net Benefits of the Proposal (Option B)

Government Fiscal Implications - Regulatory mechanisms proposed are to be incorporated into the existing LTSA system of vehicle certification and should not impose additional costs. This is because 'exhaust emissions' will be added to the list of 27 manufacture standards required to import a vehicle. Proof of compliance is up to the importer (see the Estimated costs of the proposal section of the Business Compliance Cost Statement)

Business/ Industry - For new light petrol vehicles it is estimated that the increased cost for engine technology up-grade and production change would be between \$200 and \$300NZD at the factory. For new heavy diesel vehicles it could be up to \$4000NZD at the factory. For new heavy trucks, this may arrive at an increase in the purchase price of up to \$10,000NZD for the larger trucks but this compares with an overall purchase price of around \$250,000-350,000NZD. Hence increases in the cost of vehicles resulting from emissions build performance improvement are considered to be reasonably small compared to their purchase price. Note each subsequent vehicle model tends to be fitted with more accessories and upgrades which tend to demand an increase in purchase price also. There are some compliance costs to used vehicle imports. These are outlined in the Estimated costs of the proposal section of the Business Compliance Cost Statement (below).

Society/ Consumers - Increased cost for some lower emissions capability vehicles may be passed onto consumers. The rule will ensure that the all vehicles covered by the rule entering New Zealand will be manufactured to a recognised international emission standard. This could reduce any possible future costs to consumers if the government, at a future date, requires in-service vehicles to be checked for their emissions performance, as the vehicles will be more able to comply. Any improvement in the fleet emissions capability will also lead to an improvement in local air quality.

A Rule such as this would be a key first step in reducing related illnesses and fatalities from vehicle emissions. The Rule would have an effect on the quality of the fleet by phasing out vehicles that could harm our health and environment.

Consultation

The yellow (public consultation) draft of Land Transport Rule: Vehicle Exhaust Emissions (33001) was released on 18 September 2001. In total 574 people and organisations from the vehicle industry, vehicle associations/organisations, local government and interested parties were given the opportunity to make a submission on the rule. Forty-four submissions were received on the 'yellow' Draft Rule. Issues raised in submissions covered a number of themes. The most prominent theme was vehicle suppliers questioning the worth of the Draft Rule given that the fuel available in New Zealand at the time, in particular diesel, was not of appropriate specification for the vehicle technologies required by the Draft Rule.

The green (limited public consultation) of Land Transport Rule: Vehicle Exhaust Emissions (33001) was released on 6 December 2002. In total 46 people and organisations were sent copies of the Draft Rule. Nineteen submissions were received on the second 'green' draft of the rule. Seven of the submissions categorically supported the rule. A further 5 supported the rule in principle. The remainder used the opportunity to voice matters outside the rule brief. Most submissions expressed a degree of concern that there was no emissions equipment checking or emissions testing of existing vehicles or of used vehicles at their time of import. These areas are outside the brief of the rule.

Ministry for the Environment, the Treasury, Ministry of Economic Development, Ministry of Health and the Land Transport Safety Authority were consulted on this proposal. Points raised were mainly of clarification. There were no significant policy comments made.

Business Compliance Cost Statement

Source of compliance costs

This proposal will have some compliance cost for used vehicle importers through obtaining evidence of compliance with the Rule.

Parties likely to be affected

Vehicle importers who import used vehicles into New Zealand for certification into the fleet. There is a large number of registered and un-registered vehicle importers.

Estimated costs of the proposal

Currently, the new vehicle industry self-certifies vehicles for entry into the fleet and this system is audited by the LTSA. New vehicle importers pre-order vehicles to specified standards so will not incur any extra cost proving compliance. The rule sets a timetable for the introduction of more stringent motor vehicle emissions build requirements and as such is a valuable indicator for manufacturer planning.

Agents contracted to the LTSA certify heavy vehicles and used vehicles for entry into the fleet. Used imports will be required to prove compliance with this Rule by three means: a de-registration certificate (currently compulsory for imports from Japan); proof of prior registration for use in a country that recognises the standards from the four jurisdictions New Zealand recognise standards from or a 'Statement of Compliance' which lists all standards the vehicle is manufactured to. For used importers the 'Statement of Compliance' is currently obtained as evidence of the 27 safety standards for the 10% of non-Japanese vehicles imported. This costs approximately \$300 per vehicle. This would increase by approximately \$5-\$15 due to this rule.

Longer term implications of the compliance costs

The costs identified will be ongoing, as they will occur each time that a vehicle is imported into New Zealand.

Level of confidence of compliance cost estimates

There is a high level of confidence with the estimated cost increases.

Key Compliance costs identified in Consultation

There were no significant cost issues identified in relation to the requirements of the proposed rule the two rounds of consultation.

Overlapping compliance requirements

There are no overlapping compliance requirements expected with the introduction of this rule.

Steps taken to minimise compliance costs

The proposal has been developed in line with other Land Transport Rules that the industry is consulted on and is required to comply with. Notification of the making of the rule and its availability will be sent to everyone who expressed an interest in or made a submission on the rule. In addition, information on the requirements of the rule will be sent to the representative new and used vehicle importers associations. A media statement will also be released by the Minister of Transport.