

Border Damage Flagging:

Evidence, burden and the test of policy success

A VIA report on the operation and impact of New Zealand's border damage-flagging system

Imported Motor Vehicle Industry Association (VIA)

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For circulation

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Executive summary

This report examines whether New Zealand's border damage-flagging process is now operating at the right level of sensitivity. The available data show a sharp and sustained rise in damage flags after the 2025 change to Border VIRM guidance: from **4.69%** between 1 January and 13 July 2025, to **15.09%** in the remainder of 2025, and **16.75%** from 1 January through the week ending 9 August 2026.

VIA accepts the purpose of border inspection: obvious damage and signs of previous repair should be recorded so that they can be considered during entry certification in New Zealand. The issue is whether the 2025 change to the flagging threshold was justified. The published amendment record states an intention to reduce the risk of potentially damaged vehicles not being flagged and to improve consistency, but it does not provide evidence that the previous threshold was allowing material safety risks to pass undetected. The evidence in this report indicates that the new setting has generated many more flags without a corresponding increase in repair-certification outcomes or any demonstrated improvement in fleet safety.

The later compliance analysis covers only used light vehicles, because LT307 and LT308 apply to light vehicles. The 2026 compliance group contains **7,479** flagged vehicles with an MR2 record, which is used here as evidence that the vehicle completed compliance. Of those vehicles, **4,905 (65.58%)** had the damage flag recorded as removed and no repair certificate recorded. The records do not identify who removed the flag or why. They do, however, show that most flagged vehicles in this group completed compliance without a recorded repair certificate.

This matters because the New Zealand entry-certification process is not a passive check. It is carried out by trained vehicle inspectors, with escalation to specialist repair certifiers where the threshold is met. In VIA's view, that domestic process is capable of identifying significant damage and deterioration without relying on a very broad precautionary flag applied overseas by inspectors working under time pressure and without the same role as New Zealand entry certifiers or repair certifiers.

The clearest indication of possible over-flagging is the rate of vehicles that were damage flagged but had no repair certificate recorded. That rate increased from **0.54%** of the early-2025 group to **10.04%** of the 2026 group—an **18.6-fold increase**, equivalent to a rise from **5.4 to 100.4 vehicles per 1,000**. The same pattern appears when the same calendar dates are compared in each year.

A larger share of repair-certified vehicles also had a border damage flag: the share rose from **29.55%** to **68.43%**. This does not mean that repair certification became more common. It means that, once many more vehicles were flagged, repair-certified vehicles were more likely to fall within the flagged group. The overall repair-certificate rate remained essentially unchanged and fell slightly, from **8.45%** of vehicles in the early-2025 group to **7.68%** in the 2026 group. Vehicles without a recorded border damage flag



continued to receive repair certification, showing that New Zealand entry certifiers were still identifying concerns and referring vehicles to repair certifiers where necessary.

The burden is not limited to certificate fees. Member evidence describes additional offshore photographs, marking, reporting, emails, quality-assurance checks and corrective-action work; overtime or extra staffing; reduced throughput; and greater difficulty coordinating damage inspection with biosecurity and shipping workflows. In New Zealand, the same flags can require hoist time, technical review, repair-certifier consultation, storage and repeated customer communication. Reported examples include about two and a half days of delay where no repair was required and flag-removal delays of up to five days, including for vehicles already sold. These operational effects create uncertainty for importers and customers and can also delay vehicles that were never flagged.

Headline observations

Border-inspection period	Eligible inspections	Damage flags	Flag rate
1 January–13 July 2025	48,581	2,280	4.69%
14 July–31 December 2025	36,689	5,537	15.09%
1 January–9 August 2026	64,864	10,863	16.75%

These periods show the scale and persistence of the increased border-flagging activity. Section 3 also provides a like-for-like 26-week comparison.

Requested NZTA action

VIA asks NZTA to undertake an outcome-based review of the changed Border VIRM settings. That review should test whether the higher flag rate has produced a demonstrable safety benefit, rather than treating the higher number of flags as proof of success. At a minimum, NZTA should report LT307 and LT308 separately, distinguish the VIRM basis for each LT308 where its records permit, compare each outcome with border damage-flag status, measure LT308 records with no prior border damage flag, and weigh any additional cases found earlier against the additional cost, delay, and certification workload. The objective should be better-targeted flags, not simply more flags.

1. The decision question and the test of success

New Zealand’s used-import safety system has two distinct stages. The first is border inspection, carried out before a vehicle enters the domestic certification pathway. That stage is intended to identify obvious damage, deterioration, or evidence of previous repair so that the issue is visible later in the process. The second is entry certification in New Zealand, where trained vehicle inspectors assess the vehicle against New Zealand requirements and, where necessary, refer the vehicle to a specialist repair certifier. Repair



certifiers are the specialist vehicle engineers who determine whether damage or deterioration requires repair certification and whether an LT307 or LT308 document is appropriate.

The legislation and inspection requirements therefore matter. Border inspection is not the final safety decision. Under the Vehicle Standards Compliance Rule and the Border VIRM, it is an initial visual screen that records reportable damage for consideration in New Zealand's entry-certification process. The later assessment is performed by trained entry certifiers, with referral to specialist repair certifiers where required. Broadening the overseas threshold—particularly by instructing inspectors to flag vehicles when unsure—predictably increases precautionary flags, but it does not establish that the previous threshold was unsafe or that the additional flags improve final safety outcomes.

NZTA's 5 May 2025 amendment record says the revised guidance was intended to reduce the risk of potentially damaged vehicles not being flagged and to improve consistency. It does not identify the scale of any existing safety problem, quantify vehicles that had escaped appropriate control under the previous threshold, or set a measurable safety outcome against which the change could later be judged. In VIA's view, that left the change without a demonstrated evidence base or a clear test of success.

That is a legitimate precautionary purpose. But precaution still needs a test of success. The central policy question is not simply whether more vehicles are being flagged. It is whether the additional flags identify more vehicles with significant damage or deterioration that would otherwise have escaped effective control, and whether any benefit is proportionate to the added cost, delay, and uncertainty.

Did the increase in border damage flags materially improve early identification of significant damage or deterioration requiring specialist repair certification, and was any improvement proportionate to the added burden?

Three claims must be tested separately.

Policy test	Evidence required	What a higher flag rate establishes
Earlier identification	A greater share of cases of significant damage or deterioration requiring specialist repair certification was identified at border inspection	More vehicles received flags; it does not identify the additional vehicles as LT307 or LT308
Safety improvement	Fewer cases of significant damage or deterioration requiring specialist repair certification escaped effective control	Nothing direct; an outcome comparison is required
Proportionality	Demonstrated benefit justifies added inspection, delay and cost	Added activity, not its net value





The VIRM process and the records used here

Damage flags, LT307 and LT308 in the VIRM process

Simplified current VIRM sequence; not a source-field dictionary

OFFICIAL PROCESS CONTEXT — NZTA VIRM

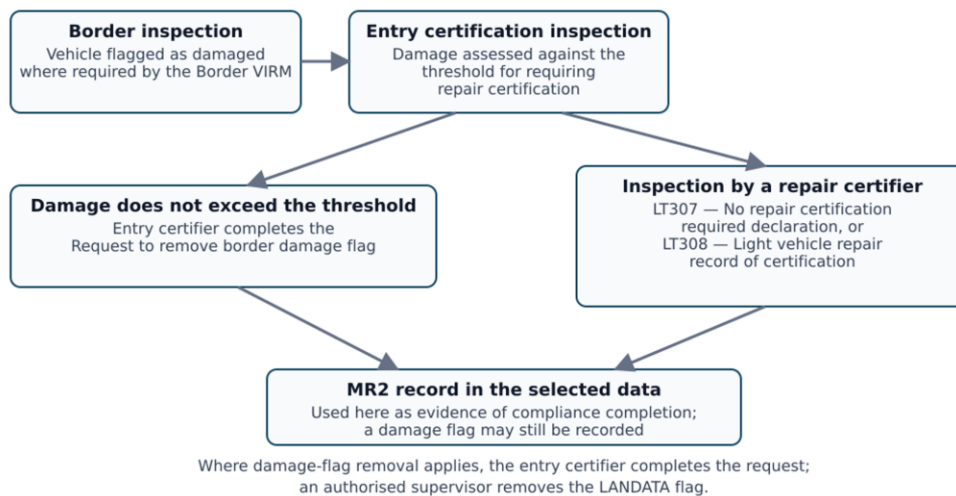


Figure 1 — official process context, simplified. Where an entry certifier determines that the damage does not exceed the threshold for requiring repair certification, an application must be made to remove the damage flag. Following inspection by a repair certifier, the VIRM requires an LT307 or LT308, as applicable. Where damage-flag removal is applicable, the entry certifier completes the request, and an authorised supervisor removes the LANDATA flag.

Stage	VIRM decision or document	Evidence in this report
Border inspection	Vehicle flagged as damaged as per VIRM guidance	National border-inspection records from March 2021
Entry certification inspection	Assess whether damage exceeds the threshold for requiring repair certification	Flag-removal information is available in weekly compliance records from 9 February 2026, but not in the 2025 historical data
Specialist inspection by a repair certifier	<i>LT307: No repair certification required declaration or LT308: Light vehicle repair record of certification</i>	The national data do not identify LT307 and LT308 separately. For the scenarios only, all repair-certificate records are modelled as one or the other
Compliance completion evidence	MR2 record	Used here as evidence of successful compliance; it is not a registration or sale date

LT307 and LT308 record different outcomes. An LT307 is issued when a repair certifier determines that the vehicle does not have significant damage or deterioration requiring repair certification and no such repair work is carried out. An LT308 records repair certification after required remedial work; it may also be required because specified write-

off or salvage terms appear in the vehicle's documents. LT308 is therefore the closer safety-related outcome measure, but an LT308 does not necessarily mean that border inspection newly detected significant damage.

The source data may contain MR2A or MR2B events and repeated issue or reprint records. For that reason, this report refers to **used light vehicles with an MR2 record**. It does not describe the MR2 event as a first registration.

2. Evidence, populations and terms

The report keeps four things separate: what the available records show, what members report, the assumptions used in the scenarios, and the results produced by those scenarios.

Evidence type	Use in this report
National records	Border damage flags, MR2 compliance populations, whether a repair certificate was recorded, and 2026 flag-removal status
Member-reported evidence	Provider and logistics samples, recorded LT307/LT308 document types, delays, and cost ranges
Modelling assumption	For the scenarios only, every record showing a repair certificate is treated as either LT307 or LT308
Scenario assumption	Member LT307/LT308 shares are applied to observed totals
Scenario output	Scenario counts, threshold and conditional cost range
Unknown	National LT307/LT308 split, true damage status, causation, prevented harm, and net benefit

Populations

Population	Period	Size	Role and limitation
Border damage-flag incidence	22 March 2021–9 August 2026	Weekly counts	National border-inspection records available through the last complete inspection week; missing weeks remain gaps
Early compliance comparison	1 January–31 May 2025	39,203	Used light vehicles with an MR2 record; 2025 data do not include flag-removal status; the prior border flag may not always belong to the same import cycle
Later compliance comparison	9 February–6 September 2026	48,888	Used light vehicles with an MR2 record; flag-removal status is available

The two compliance groups cover different lengths of time and were assembled from different source collections. To make the comparison clear, the report shows counts together with percentages and rates per 1,000 vehicles; Appendix A also compares the same calendar dates in each year. The border series counts all eligible border inspections,



whereas the compliance analysis covers only used light vehicles with an MR2 record. The totals therefore measure different populations and are not expected to match.

How to read the record-based measures

- **Damage flagged** means the records show an affirmative border damage flag.
- **Repair certificate recorded** means the data mark a repair certificate as issued. The available data do not say exactly what this entry represents, and it does not distinguish LT307 from LT308.
- **Flag removed with no repair certificate recorded** is the plain-language label used for the relevant 2026 data combination. It is consistent with an entry certifier finding that the damage did not exceed the threshold for repair certification, but the records do not show the reason for the decision or who removed the flag.
- **Not damage flagged** includes vehicles in the data with “No” against the flag field or in which that flag field has no value (our assumption being that a vehicle without a recorded flag had no flag to escalate).
- **Flag remained** is not treated as a compliance failure. Every vehicle in this analysis has an MR2 record, which is evidence that it successfully completed compliance; the data do not state why some flags remained¹. Appendix A gives the exact field names and counting rules used to reproduce these plain-language measures.

3. What changed at border inspection

The data show a clear change in border practice. Figure 2A shows the weekly share of border inspections resulting in a damage flag. After the 5 May 2025 VIRM amendment, the rate rose sharply and then remained elevated from the week of 14 July 2025. The data illustrate a sustained increase in border-flagging activity.

¹ It should be noted that in some instances, a vehicle can complete compliance – including receiving a repair certification – and be declared ready for registration while still holding a damage flag on the register. In fact, in 2026 (to 31 Aug), over 650 vehicles were registered with a flag after receiving a repair certification and MR2.



Border damage-flag rate rose after mid-July 2025

Weekly observations and four-week pooled rate; missing evidence remains a gap

OBSERVED — SELECTED NATIONAL BORDER EVENTS

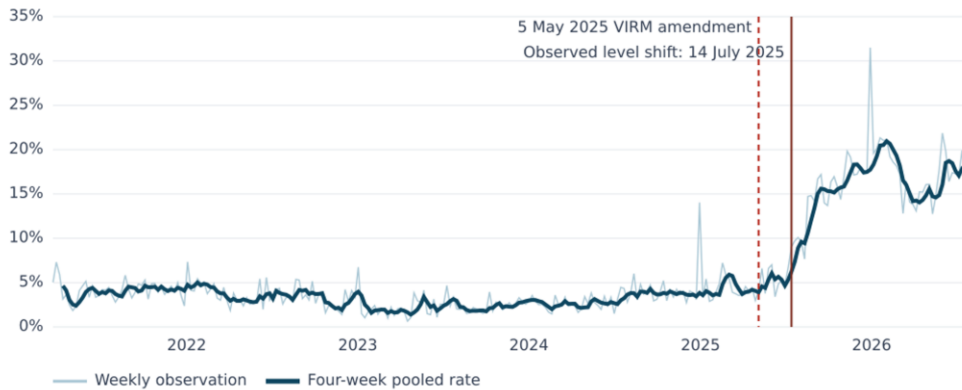


Figure 2A — weekly border damage-flag rate. The line shows damage flags as a percentage of eligible border inspections from 22 March 2021 to 9 August 2026. Gaps mean that observations were unavailable, not that the rate was zero. The 31.5% holiday-week spike represents only 23 flags among 73 inspections in the week ending 4 January 2026; the four-week line combines four weeks of flags and inspections to show the underlying trend more reliably.

Figure 2B shows the number of vehicles receiving a damage flag each week. The percentage in Figure 2A is the better measure of changes in flagging practice because it allows for changes in inspection volume.

Weekly damage-flag counts rose after mid-2025

Weekly count and four-week average; Figure 2A controls for inspection volume

OBSERVED — SELECTED NATIONAL BORDER EVENTS

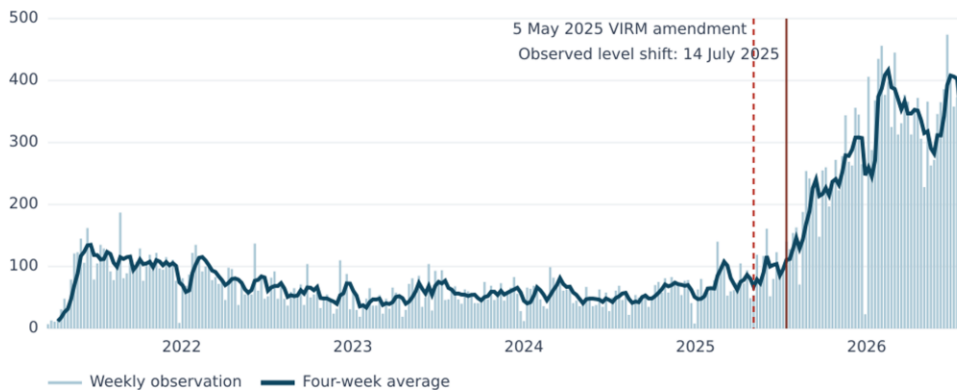


Figure 2B — weekly number of border damage flags. Bars show vehicles flagged each week; the four-week average smooths short-term movement. It covers the same period as Figure 2A.



Equal-window comparison

The 26 weeks from 13 January to 13 July 2025 contained **2,217 damage flags among 46,689 inspections (4.75%)**. The following 26 weeks contained **5,944 among 38,763 (15.33%)**. The rate was **3.23 times** the earlier rate, an increase of **10.59 percentage points**.

From 14 July 2025 through 9 August 2026, there were approximately **11,634 more damage flags** than there would have been if the early-2025 rate of 4.69% had applied to the same number of inspections. This comparison illustrates the scale of the increased border-flagging activity.

4. What the later records show

Records for damage-flagged vehicles in 2026

Figure 3 shows how the **7,479** flagged used light vehicles with an MR2 record were distributed across the three outcomes visible in the 2026 data:

- **4,905 (65.58%)** had the flag recorded as removed and no repair certificate recorded;
- **2,569 (34.35%)** had a repair certificate recorded; and
- **5 (0.07%)** had no recorded flag removal and no repair certificate.

Most flagged records had Repair Cert Issued = No

7,479 flagged used light vehicles with an MR2 record, 9 February–6 September 2026

OBSERVED — SELECTED 2026 MR2 RECORDS



Figure 3 — what the later compliance records show for flagged vehicles. The group contains 7,479 used light vehicles with an MR2 record from 9 February to 6 September 2026. In plain language, the three chart categories are: flag removed with no repair certificate recorded; repair certificate recorded; and flag not removed with no repair certificate recorded. Together they account for every vehicle in the group. The records do not identify the person who removed a flag or the reason for removal.



How to read the 2026 counts

2026 measure	Vehicles	Meaning
Used light vehicles with an MR2 record	48,888	All vehicles in the 2026 compliance group
Damage flagged at border	7,479	An affirmative border damage flag was recorded
Repair certificate recorded	3,754	Includes flagged and unflagged vehicles; the data do not identify LT307 or LT308
Damage flagged; repair certificate recorded	2,569	Both events were recorded
No recorded damage flag; repair certificate recorded	1,185	Includes an explicit No and a blank flag value under the stated rule
Damage flagged; no repair certificate recorded	4,910	Includes 4,905 flags recorded as removed and 5 recorded as not removed

Among the **2,569** flagged vehicles with a repair certificate recorded, **1,811** also had the damage flag recorded as removed. For the remaining **758**, no removal was recorded. That group combines records explicitly marked “No” with records for which the removal status was unavailable; the two components are not reported separately because one is below the report’s minimum cell size. A flag that remained is not treated as a compliance failure, because every vehicle in this group has an MR2 record and therefore completed compliance.

How the recorded pathway changed

Figure 4 compares three recorded pathways per 1,000 used light vehicles with an MR2 record. The chart retains the source labels; the caption below translates them.

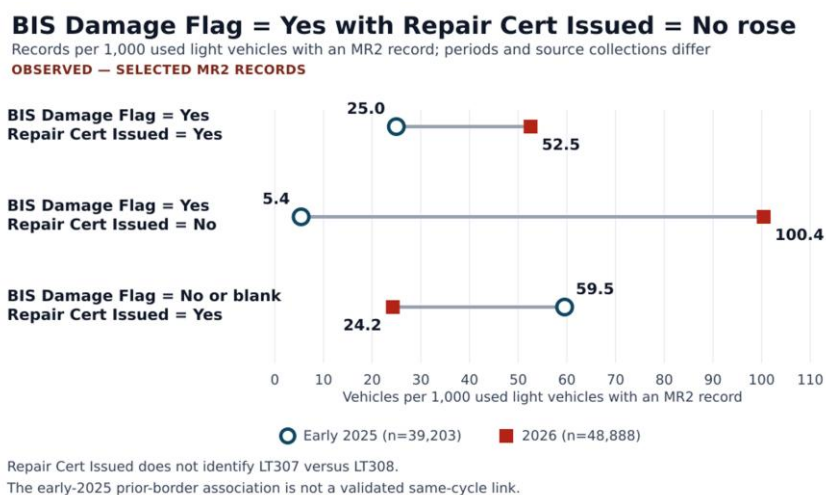


Figure 4 — comparison of recorded pathways. Circles show 1 January–31 May 2025 (39,203 vehicles); squares show 9 February–6 September 2026 (48,888 vehicles). “Repair Cert Issued = Yes” means a repair certificate was recorded, but the data do not identify LT307 or LT308. “No or blank” is counted as no border damage flag. The comparison illustrates the changed pattern of recorded outcomes.



Recorded pathway	Early 2025	Per 1,000	2026	Per 1,000
Damage flagged; repair certificate recorded	979	25.0	2,569	52.5
Damage flagged; no repair certificate recorded	212	5.4	4,910	100.4
No recorded damage flag; repair certificate recorded	2,334	59.5	1,185	24.2
All vehicles with a repair certificate recorded	3,313 (8.45%)	84.5	3,754 (7.68%)	76.8

Figure 4 shows two different movements. First, the share of repair-certified vehicles that also had a prior border flag rose from **29.55%** to **68.43%**. That increase is expected when the flagging rate itself more than triples: a much larger flagged group will contain more of the vehicles that later receive repair certification. Second, the overall repair-certificate rate did not rise; it fell slightly from **8.45%** of the early-2025 group to **7.68%** of the 2026 group. Over the same comparison, flagged vehicles with no repair certificate recorded increased from **5.4 to 100.4 per 1,000**, an **18.6-fold increase**.

The records also show that **1,185** vehicles in the 2026 group received a repair certificate without a recorded border damage flag. This confirms that New Zealand entry certifiers continued to identify concerns and refer vehicles to repair certifiers where necessary. The principal change in the recorded pathway was therefore not an increase in the overall repair-certification rate, but a large increase in flags that did not lead to a recorded repair certificate. Of the **4,910** flagged vehicles in that category, **4,905** had the flag recorded as removed.

5. What members report

Member evidence points in the same broad direction and supplies inputs for the scenarios. It is kept separate from the national records.

Independent damage-flag rates

One logistics provider reported **16 flags among 871 vehicles in 2024 (1.84%)** and **369 among 2,683 in 2025 (13.75%)**. A separate border inspection provider reported annual flag rates of 1.5% in 2022, 1.0% in 2023, 2.9% in 2024, 9.5% in 2025 and 18.2% through the second quarter of 2026. Appendix Figure A1 displays that series. These independent member examples point in the same direction as the national data: border damage flagging increased markedly.



Member LT307 and LT308 records used for scenarios

Confidential provider sample	Vehicles	Share among known LT outcomes
LT307 No repair certification required declaration	249	60.1%
LT308 Light vehicle repair record of certification	165	39.9%
Vehicles recorded as LT307 or LT308	414	100.0%
No LT307/LT308 type recorded	21 of 435 damage-flagged vehicles	Not included in the split

The 60.1%/39.9% split is used only as a scenario assumption. It is not presented as the national split.

Two businesses undertaking entry certification reported handling approximately 1,250 damage-flagged vehicles over the preceding 12 months. Weighted by their reported volumes, they estimated that 72% did not require referral to a repair certifier, 18% resulted in LT307, and 9% resulted in LT308. They reported that about nine in ten did not require significant structural repair.

Members reported additional costs of **\$180–\$340** for the *Request to remove border damage flag* process where referral to a repair certifier was not required, and **\$250–\$1,000** where a repair certifier completed an LT307 (a declaration that no repair certification is required). One respondent estimated approximately 2.5 days of delay in a case where no repair was required; another reported flag-removal delays of up to five days.

How the burden appears in practice

Member evidence provides practical detail that is not visible in the national records. At the offshore stage, a flag can require extra photographs, marking and documentation, reporting, emails with customers and importers, and notification to NZTA. Providers also described increased quality-assurance activity, corrective-action requests and internal reviews, together with overtime or additional staffing, reduced throughput and more customer complaints. These are consequences of applying the regulatory setting, not evidence that border inspectors are seeking to avoid work: applying a flag creates more work for them.

The effect then moves through the domestic certification pathway. One entry-certification provider reported that damage-flag removal requests rose from about 8–10 per month to roughly ten times that level, reaching twenty times the earlier level in one month, while 96–99% of the increased requests were ultimately removed. A removal request can require photographs, record checks, technical-team review and processing through internal controls. The provider considered whether another experienced technical staff member might be needed. This example should be read as provider evidence rather than a national



estimate, but it illustrates how a higher referral rate converts into staffing cost and draws experienced people away from other certification work.

The practical delay can continue even when no repair is required. In one reported case, a vehicle flagged for corrosion was placed on a hoist and checked with technical staff, but the relevant corrosion could not be found; the vehicle then had to be stored while the removal process was completed, producing an estimated two and a half days of delay. Another importer reported delays of up to five days, including for vehicles already sold. During that period, businesses may incur storage and financing costs, defer delivery, and repeatedly explain to customers why a vehicle has been labelled as damaged even though the final outcome may be that no significant repair is required.

The consequences can extend beyond the individual flagged vehicle. Vehicles awaiting review occupy inspection space and storage, while technical reviewers and scarce repair-certifier capacity are used to resolve precautionary referrals. Members reported bottlenecks, lower throughput, delays to non-flagged vehicles and increased complaints. Offshore, one provider also identified a prospective risk that a materially more intensive damage inspection could become difficult to integrate with concurrent MPI quarantine inspection and shipping workflows; separating those processes would add vehicle handling and processing time. These wider effects are not included in the conditional direct-cost range in Section 7, which also excludes delay, financing costs, costs passed to consumers and capacity effects.

6. Two LT307 and LT308 scenarios

Because the national data do not distinguish LT307 from LT308, the observed repair-certificate totals cannot show directly how many vehicles required repair certification. The two scenarios therefore split the same observed totals in different ways to test what the available data could imply. In both scenarios, every repair-certificate record is treated as either LT307 or LT308. This is a modelling assumption, not an observed national split.

Element	Evidence status
Vehicles with a repair certificate recorded	Observed total
Meaning of those records and the national LT307/LT308 split	Not supplied
Treating every repair-certificate record as LT307 or LT308	Scenario assumption only
60.1% LT307 / 39.9% LT308	Confidential provider-sample assumption
Stable LT308 rate	Alternative modelled scenario
Unit-cost ranges	Member-reported
Additional cost range	Conditional calculation
Costs of remedial work followed by an LT308	Excluded



The **60.1%/39.9%** split comes from a member sample of damage-flagged vehicles with a recorded LT307 or LT308 outcome. Applying that split to all vehicles with a repair certificate—including those with no prior border damage flag—is a further assumption. The national data do not show whether flagged and unflagged vehicles have the same split.

Both scenarios use the LT308 rate as an indicator of potentially significant repair activity, not as definitive proof of a newly detected safety problem. NZTA's own review should distinguish LT308s issued after remedial work for significant damage or deterioration from those required because of a vehicle's documented status.

Scenario A — stable LT308 rate

The member sample allocates **39.9%** of known LT outcomes to LT308. Applying that share to the **3,313** repair-certificate records in early 2025 gives a modelled benchmark of approximately **1,320 LT308s** and **1,993 LT307s**. This is equivalent to **33.7 LT308s per 1,000 vehicles**. Scenario A holds that modelled LT308 rate constant for the 2026 group. It therefore assigns approximately **1,647** of the later **3,754** repair-certificate records to LT308 and the remaining **2,107** to LT307.

This scenario asks what the later certificate total would look like if the modelled LT308 rate—the closest available safety-related outcome measure—did not change. By design, it leaves no increase in that rate to weigh against the additional cost and delay.

Scenario B — unchanged member LT307/LT308 split

Scenario B applies the member sample's unchanged **60.1% LT307 / 39.9% LT308** split directly to the **3,754** repair-certificate records in the 2026 group. This produces approximately **2,258 LT307s** and **1,496 LT308s**. Because the 2026 group contains more vehicles, the modelled LT308 count is higher but the rate is lower: **30.6 per 1,000**, compared with the modelled early-2025 benchmark of **33.7 per 1,000**.

Scenario B therefore shows why counts and rates must be read separately. The estimated number of LT308s is higher only because the later group is larger and covers a longer period; the modelled LT308 rate is lower. On this scenario, the data do not show that border inspection identified significant damage more effectively.



Neither scenario raises the modelled LT308 rate

Modelled records per 1,000 used light vehicles; national LT307/LT308 counts are unavailable
MODELLED SENSITIVITY — NOT OBSERVED NATIONAL LT307/LT308 COUNTS

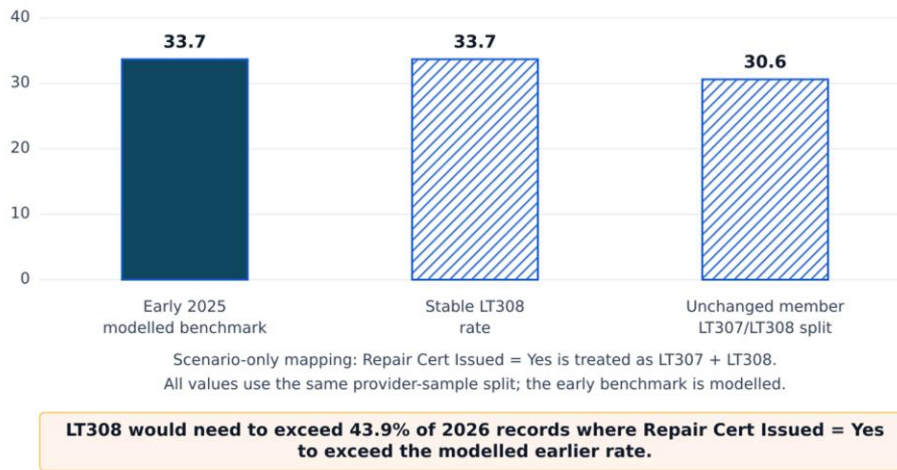


Figure 5 — two possible LT307/LT308 splits, not observed national counts. Because the national data do not distinguish the two documents, the scenarios treat every repair-certificate record as either LT307 or LT308 and use the same member-sample split to construct the early benchmark. The true national counts remain unknown.

LT308 would need to account for more than **43.9%** of the 3,754 repair-certificate records in 2026 before the modelled LT308 rate would exceed the early benchmark. On the available data, the scenarios do not show the safety-related outcome increasing.

7. Conditional additional cost implications

The cost calculation estimates the additional direct process cost associated with the later recorded pattern. It compares the 2026 group with the cost that would have arisen if the early-2025 rates had continued, after adjusting the early group to the same population size as the 2026 group.

For this calculation, the **4,905** vehicles whose damage flag was recorded as removed and for which no repair certificate was recorded are treated as having incurred the member-reported cost of the process to request removal of a border damage flag.

The 2025 records do not include flag-removal status. To avoid overstating the increase, the calculation treats all **212** early-2025 vehicles that were flagged but had no repair certificate as if their flag had been removed without repair certification. Applying that early rate to a group of 48,888 vehicles gives a baseline of approximately **264 vehicles**. The comparable 2026 count is **4,905**, an increase of about **4,641 vehicles**.



Scenario	Conditional additional cost	Main driver
Stable LT308 rate	\$0.458m–\$1.483m	More flags removed with no repair certificate recorded, partly offset by fewer modelled LT307 outcomes than under the standardised early profile
Unchanged member LT307/LT308 split	\$0.608m–\$1.521m	The same increase in flags removed with no repair certificate recorded, with a smaller modelled reduction in LT307 outcomes

Conditional additional cost range: \$0.46m–\$1.52m

Request to remove border damage flag process and LT307 declarations; LT308 remedial-work costs excluded

MODELLED SENSITIVITY — CONDITIONAL ADDITIONAL COST



Costs of remedial work followed by an LT308 are excluded.

Field-to-process mappings and unit costs are scenario assumptions; see report.

Not an annual national total, proven causal estimate, or social cost-benefit result.

Figure 6 — estimated additional process cost under two scenarios. Member-reported unit costs are applied; necessary repair costs followed by an LT308 are excluded.

Across the two scenarios, the estimated additional direct process cost is **\$0.46m–\$1.52m** for the group analysed. This estimate excludes delay, financing costs, costs passed to consumers, and effects on certification capacity. It therefore represents only part of the potential burden, while the available records do not measure a corresponding safety benefit.

8. What the evidence establishes

The data establish the following:

Proposition	Evidence status	Finding
Border damage flagging increased sharply and remained elevated	Established	Weekly rate and count series
A larger share of repair-certificate records had a prior border flag	Established for the groups analysed	Share rose from 29.55% to 68.43%
About two-thirds of flagged 2026 vehicles had the flag removed and no repair certificate recorded	Established for the 2026 group analysed	4,905 of 7,479, or 65.58%

Proposition	Evidence status	Finding
Flagged vehicles with no repair certificate recorded rose sharply	Established for the groups analysed	5.4 to 100.4 per 1,000; 18.6-fold
The overall repair-certificate rate increased	Not supported in the groups analysed	8.45% early in 2025 and 7.68% in 2026
National LT308 incidence increased	Unknown	The source does not identify LT307 and LT308 separately
Cases of significant damage or deterioration requiring specialist repair certification that would otherwise have escaped control were reduced	Unknown	No vehicle-level truth benchmark or additionality comparison
The May VIRM change caused the July level shift	Not established	Timing is compatible; causal factors are not isolated
The higher flag rate produced net safety benefit	Not established	Benefit, cost, and comparison evidence are incomplete
A retained damage flag is a compliance failure	Not supported	Included vehicles have an MR2 record; reason for retention is not recorded

Taken together, the evidence supports a clear conclusion. No evidence has been identified showing that the previous threshold was failing to protect safety, and the post-change records do not show that the much higher flagging rate improved safety outcomes. Repair certification remained at essentially the same rate, entry certifiers continued to identify and refer unflagged vehicles where necessary, and the principal measured change was a sharp rise in flags that did not lead to a recorded repair certificate. The stronger correlation between flags and repair certificates is a mathematical consequence of flagging more vehicles, not proof that the policy produced better safety outcomes.

9. An outcome-based review NZTA can run

NZTA can resolve the central uncertainty from records generated by the certification system. It should compare stable groups before and after the change, allow enough time for final outcomes to appear, and publish the calculation method.

Core measures

1. **LT308 rate and basis:** vehicles for which an LT308 Light vehicle repair record of certification was completed per 1,000 comparable used light vehicles, distinguishing remedial-work and documentation-mandated cases where the records permit.



2. **Share of border damage flags resulting in an LT308:** border-damage-flagged LT308 records divided by all border damage flags.
3. **Prior border-flag share among LT308 records:** LT308 records with a prior border damage flag divided by all LT308 records.
4. **LT308 with no prior damage flag:** such records per 1,000 comparable used light vehicles.
5. **Flags below the repair-certification threshold:** damage flags removed after entry-certifier assessment, reported separately from LT307 declarations.
6. **Burden:** delay and additional cost associated with the *Request to remove border damage flag* process and repair-certifier inspections resulting in LT307 declarations, including administrative, storage and financing time.
7. **Additionality:** significant damage or deterioration requiring specialist repair certification first identified at entry certification despite no border damage flag, and evidence that an earlier flag changed the final safety outcome.

Design controls

- Report LT307 and LT308 separately; do not use the undifferentiated repair-certificate total as the safety outcome.
- Within LT308, distinguish the VIRM basis for the document where the records permit; do not treat every LT308 as proof of a newly identified case of significant damage or deterioration requiring specialist repair certification.
- Use comparable periods and allow sufficient time for LT307 or LT308 records to be completed and observed.
- Stratify by the VIRM damage reason, relevant vehicle characteristics, and inspection organisation where disclosure controls permit.
- Keep unavailable outcomes visible rather than treating them as zero.
- Schedule a review with thresholds for retaining, refining, or withdrawing the changed guidance.
- Compare cost per additional LT308 case found at border inspection with evidence that the case would otherwise have escaped effective control.

This approach is consistent with NZTA's stated focus on harm, proportionate regulation, and productivity, and with New Zealand regulatory-analysis guidance requiring clear problems, options, costs, benefits, monitoring, and review. Treasury's CBAX guidance likewise emphasises transparent evidence and assumptions.

Conclusion

The evidence points to a straightforward concern: the border damage-flagging threshold was made substantially more sensitive without a published demonstration that the previous setting was allowing material safety risks to pass undetected. Since the change,



border-flagging activity has increased sharply, but no corresponding improvement in safety outcomes is apparent in the available data.

Damage flags rose from **4.69%** in early 2025 to **15.09%** in the rest of 2025 and **16.75%** through early August 2026. Among used light vehicles with an MR2 record, flags with no repair certificate recorded rose **18.6-fold**. In the 2026 group, **4,905 of 7,479 flagged vehicles** had the flag recorded as removed and no repair certificate recorded. Yet repair certificates did not become more common overall: the rate was **8.45%** early in 2025 and **7.68%** in 2026.

The fact that a greater share of repair-certified vehicles had a prior border flag does not alter that conclusion. When many more vehicles are flagged, more repair-certified vehicles will also fall within the flagged group. Meanwhile, **1,185** vehicles in the 2026 group received a repair certificate without a recorded border damage flag, confirming that trained entry certifiers continued to detect concerns and refer vehicles to specialist repair certifiers where necessary.

The change has therefore produced a large increase in regulatory activity, cost, delay, and uncertainty through the compliance supply chain for essentially the same repair-certification outcome. VIA asks NZTA to provide the evidence that justified changing the threshold, publish the safety outcomes achieved since the change, and review whether the present setting is proportionate. Unless a measurable safety benefit can be demonstrated, the threshold should be refined so that border inspection remains a targeted high-level screen and New Zealand's trained entry certifiers and repair certifiers can continue to perform the substantive safety assessment.



Appendix A. Methods and reconciliation

This appendix uses the exact database field names and counting rules so the figures can be reproduced. The main report uses plain-language labels for the same measures.

Border damage-flag incidence

An eligible observation is a non-conflicting selected Border event with *BIS Damage Flag* equal to Yes or No. Weekly rates use Monday–Sunday inspection weeks. The four-week line divides the sum of damage flags by the sum of eligible inspections across four consecutive observed weeks; it is not an average of weekly percentages. The series ends with the last complete inspection week in the selected data, 3–9 August 2026.

The observed level shift is the maximum-likelihood split in weekly binomial counts from 2024 onward, requiring at least 26 weeks on each side. The configured and independently re-estimated split both begin 14 July 2025. The equal-window comparison uses exactly 26 consecutive weeks on each side.

MR2 construction and light-vehicle boundary

The early population uses the earliest historical MR2 event within 1 January–31 May 2025. Any *BIS Damage Flag = Yes* Border event dated on or before that MR2 event is treated as a prior damage flag. This is an event association, not a validated same-cycle relationship. The later population joins repair and damage fields to the exact weekly source row and aggregates repeated observations to one vehicle.

At vehicle level, *Repair Cert Issued = Yes* takes precedence when both Yes and No appear across repeated MR2 records. A vehicle is counted under *Repair Cert Issued = No* only when an explicit No is present and no Yes is present; blank or other values are not treated as No. Any positive count below five is protected in the exported data-quality field.

All MR2 comparisons, LT307/LT308 scenarios and cost calculations are restricted to source *Light/Heavy Vehicle = LIGHT*. This avoids applying light-vehicle LT307/LT308 terminology to heavy vehicles. The Border weekly series remains the selected eligible Border population and therefore has a different role.

Same-calendar comparison

The main comparison uses the fullest selected periods available. A separate 9 February–31 May comparison addresses seasonality and elapsed-period concerns while retaining the historical-versus-weekly source difference.



Same-calendar period	Used light vehicles	Damage flags	Flags per 1,000	Damage flagged; no repair certificate recorded	Per 1,000	Repair certificate recorded	Per 1,000
9 Feb–31 May 2025	28,822	906	31.4	173	6.0	2,411	83.7
9 Feb–31 May 2026	29,952	4,981	166.3	3,401	113.5	2,292	76.5

The result is unchanged: flags with no repair certificate recorded rise from **6.0 to 113.5 per 1,000**, while the overall repair-certificate rate falls slightly.

Prior-flag association sensitivity

Limiting the 2025 link between a border flag and the MR2 record to 365 days reduces early damage flags from 1,191 to **1,003**, flagged vehicles with a repair certificate from 979 to **805**, and flagged vehicles with no repair certificate from 212 to **198**. The total number of repair-certificate records is unchanged, so neither LT scenario nor the 43.9% threshold changes. The conditional cost range becomes \$0.461m–\$1.527m; neither endpoint changes by more than 1.2%.

Scenario and cost arithmetic

The early model applies the member LT307/LT308 shares (249/414 and 165/414) to the 3,313 early repair-certificate records. Scenario A holds the modelled LT308 rate per used light vehicle constant and assigns the remainder of the later total to LT307. Scenario B applies the same member shares to the 3,754 later repair-certificate records. Both applications are assumptions because the national data do not distinguish LT307 from LT308 and the provider has not defined the repair-certificate entry.

The cost comparison standardises the early proxy—BIS Damage Flag = Yes and Repair Cert Issued = No—and the modelled LT307 rate to 48,888 vehicles. For reproducibility, the later cost category is defined by the exact combination Damage Flag Removed = Yes, Damage Flag Removed - Repair Cert = No, and Repair Cert Issued = No. That combination is mapped to the member-reported cost of the Request to remove border damage flag process. Positive increases use the member low and high unit costs, while a modelled decline in LT307 is treated as an offset. Calculations retain unrounded values; the report rounds vehicle estimates and money for presentation.

Disclosure and data quality

No vehicle identifier, source row or free-text note is exported. A positive cell below five is either displayed as <5 or combined with another category where separate reporting would allow it to be reconstructed by subtraction. Counts and percentages otherwise reconcile exactly. Missing weeks are gaps, never zeroes.



The following aggregate schedules can be provided on request:

- *border-weekly.csv*
- *border-periods.csv*
- *mr2-source-field-combinations.csv*
- *2026-flagged-vehicle-records.csv*
- *2026-repair-cert-issued-yes-damage-flag-removed-status.csv*
- *common-calendar-window-check.csv*
- *lt307-lt308-scenarios.csv*
- *conditional-additional-cost.csv*
- *aggregate-data.json*

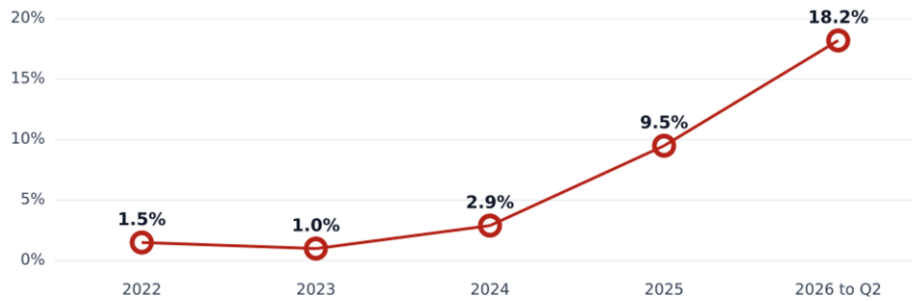


Appendix B. Independent member evidence

One border inspection provider reported rising flag rates

Provider-reported annual rate; 2026 through Q2; not a national estimate

MEMBER-REPORTED — ONE BORDER INSPECTION PROVIDER



Source: confidential provider data supplied to VIA. Population and elapsed period differ from the selected weekly series.

Appendix Figure A1 — confidential provider data supplied to VIA; not national. Calendar-year rates for 2022–2025 and the reported rate through the second quarter of 2026. Underlying annual counts and denominators were not supplied.



Appendix C. Sources and evidence boundary

Official process and policy sources

- [*NZTA Border inspection of imported used vehicles*](#), checked 9 September 2026.
- [*NZTA VIRM: Border inspection of used imported vehicles — amendment details*](#), including the 5 May 2025 amendment, checked 9 September 2026.
- [*NZTA Threshold for requiring repair certification*](#), checked 9 September 2026.
- [*NZTA Threshold for lifting border damage flag*](#), checked 9 September 2026.
- [*NZTA Removing a border damage flag*](#), checked 9 September 2026.
- [*NZTA LT307 Declaring that a vehicle doesn't require repair certification*](#), checked 9 September 2026.
- [*NZTA Record of certification \(section 6.6 of the Rule\)*](#), checked 9 September 2026.
- [*NZTA Sample certification documents*](#), checked 9 September 2026.
- [*NZTA The MR2A*](#), checked 9 September 2026.
- [*NZTA Our regulatory strategy*](#), checked 9 September 2026.
- [*Ministry for Regulation regulatory impact analysis guidance*](#), checked 9 September 2026.
- [*New Zealand Treasury CBAX guidance*](#), checked 9 September 2026.

Analytical and member sources

- NZTA/VIA vehicle-lifecycle data through 6 September 2026; the exact data edition and checksum are recorded in the report package.
- Confidential VIA member evidence; source identity and checksum retained by VIA.

Member observations are non-national samples. Scenario values are conditional estimates, not observed national LT307 or LT308 counts. This report does not establish causation, avoided harm, or net social benefit.

