Imported Motor Vehicle Industry

Submission on the CCS Cost Recovery Consultation Document

Submitted by VIA – Imported Motor Vehicle Industry Association

Introduction

Thank you for the opportunity to provide feedback on the Clean Car Standard (CCS) Cost Recovery Consultation Document. VIA represents the interests of used motor vehicle importers in New Zealand, an industry that supplies affordable, quality vehicles to the public. We welcome this consultation and appreciate the government's commitment to designing a cost recovery system that is equitable, efficient, and transparent.

This submission outlines our preferred options and highlights the considerations we believe are crucial to the success of the proposed cost recovery framework. Specifically, we support a **per-vehicle charge paid at the point of registration,** but we are concerned about the potential equity impacts of a flat fee per vehicle.

The CCS System

The Clean Car Standard (CCS) was introduced by a previous government as part of the Clean Car Programme, which also included the Clean Car Discount (the CCD, a now-discontinued consumer incentive/disincentive scheme). For the CCS, every vehicle imported into New Zealand, new or used, is allocated a CO_2 target (derived from a national fleet average target manipulated by a weight adjustment calculation), and the vehicle accrues either credit grams (if under its target) or a financial penalty (if over the target CO_2). The aim of the regime is to encourage the importation of vehicles with ever reducing carbon emissions.

The operation of this credit/penalty system uses NZTA resources and these are the costs that the Government proposes to recover.

Preferred Options

1. Basis of Payment: Per-Vehicle Charge

VIA supports the proposal to structure the CCS administration fee on a per-vehicle basis. This approach aligns with industry practices, scales fairly to the size of the importer's operations, and ensures predictable costs for all stakeholders.

Every vehicle imported into the country is subject to the scheme and there is very little difference in the process for a new or used vehicle, or for a vehicle that accrues a credit or incurs a financial penalty. It is the vehicle that is tracked and assessed and so VIA believes any cost recovery should be tied to the vehicle.

The cost recovery should not be based on the designation of the importer or whether the importer settles penalties as they go or undertakes an annual assessment process.

Benefits to VIA Members and Importers:

- **Fair and Proportional Costs**: A per-vehicle charge ensures that importers are not penalized for their size, allowing smaller operators to compete effectively with larger importers.
- **Predictability**: The per-vehicle model provides certainty for importers, enabling them to calculate fees in advance and incorporate these costs into their pricing models.

Benefits to Car Buyers:

- **Minimized Cost Burden**: By tying the charge to the volume of vehicles imported, this option limits the cost passed on to consumers, helping to maintain affordability in the used vehicle market.

2. Point of Payment: At Registration

VIA strongly supports the collection of the CCS administration fee at the point of vehicle registration. This method minimizes administrative disruption for importers and ensures the charge is transparent to consumers.

Benefits to VIA Members and Importers:

- **Streamlined Processes**: Collecting the fee at registration leverages existing administrative systems, reducing the need for costly changes to importer operations.
- **Avoids Upfront Cash Flow Issues**: Importers do not face the financial strain of paying fees before a vehicle is registered and sold, aligning costs with revenue streams.

Benefits to Car Buyers:

- **Transparency**: Consumers understand exactly what they are paying for, with the fee clearly linked to the process of assessing the vehicle's compliance with entry standards and making the vehicle roadworthy. As well, it raises awareness of the scheme for consumers who may not know about the CCS and its impact on their vehicle purchase.
- **Equitable Distribution of Costs**: By charging at the point of registration, the cost is borne directly by the end-user, ensuring it aligns with the vehicle's use.

Concerns About the Flat Fee

While we understand the administrative simplicity of a flat fee per vehicle, VIA is concerned about its potential equity impacts. Used vehicle importers predominantly serve buyers seeking affordable options, including low-income households, first-time car buyers, and those in regional areas where public transport is limited. A flat fee risks disproportionately affecting these groups, as it does not account for variations in vehicle value, age, or emissions profile.

Commented [GU1]: Wasn't sure about putting more here - I started writing something here about the fact that consumers will not see the true cost (through penalties) or the true benefit (through credits) of their vehicle choice because importers can offset penalties and credits "behind the scenes" making the price of the vehicle an imperfect signal - thus, perhaps the only way we could flag to consumers any validation of their choice would be through a CCS cost recovery fee that reflects the emissions profile of the vehicle.
Not sure if that works as a comment - will leave it to you to include or not.

Equity Considerations:

- **Impact on Affordability**: A uniform fee adds a greater relative cost to lower-value vehicles, which make up a significant proportion of used imports. This could reduce access to affordable, quality vehicles for those who need them most.
- **Regressive Effect**: Flat fees risk being regressive, placing a higher burden on lower-income consumers.

We recommend that equity impacts be reviewed and, if necessary, mitigated through mechanisms such as:

- **Sliding Scale Fees**: Adjusting the fee based on vehicle attributes, such as emissions or value, to reflect the varied market segments served by VIA members.
- **Targeted Credits or Rebates**: Offering support to buyers of lower-value vehicles to offset the additional cost of the fee.
- **Price-Based Fees**: Structuring the fee proportionally to the price of the vehicle, ensuring that lower-value vehicles, which are often sought by budget-conscious consumers, are not disproportionately affected.

Conclusion

VIA strongly supports a **per-vehicle charge collected at the point of registration**. This approach balances administrative efficiency with fairness and transparency, ensuring costs are distributed equitably across the vehicle import industry and to consumers.

We urge the government to carefully consider the equity impacts of a flat fee and explore options to minimize its disproportionate effect on low-value vehicles and their buyers. By designing a cost recovery system that reflects the diversity of New Zealand's vehicle market, the CCS can achieve its goals without compromising affordability or accessibility.

VIA remains committed to working with the NZ Transport Agency (Waka Kotahi) to develop a fair and effective system that supports sustainable vehicle imports while meeting the needs of our members and the public.

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Thank you for the opportunity to provide feedback. We welcome further discussion and look forward to engaging throughout the consultation process.

Contact Information:

Kit Wilkerson
Head of Policy
kit@via.org.nz
021 040 3780