

Proactive Release

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Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

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

<u>Section</u>	<u>Description of ground</u>
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

3 May 2022

OC220282

Hon Michael Wood
Minister of Transport

Action required by:
Tuesday, 10 May 2022

EARLY ACTIONS TO PROGRESS THE TRIAL OF THE EQUITY-ORIENTED VEHICLE SCRAPPAGE SCHEME

Purpose

To provide advice on short-term achievements/objectives that could be delivered after the trial of the equity-oriented vehicle scrappage scheme is announced on Budget Day.

Key points

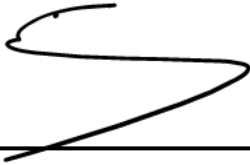
- Three early actions could be taken that would increase the likely effectiveness of the scrappage scheme trial and they concern:
 - communicating the objectives of the scrappage scheme and its link to the Emission Reduction Plan (ERP). It will be important that the public understand that the scheme is part of creating a just transition to a net zero emissions Aotearoa
 - refining the trial scheme's design through focus groups with representatives of low-income communities. This engagement would include how to tailor the scheme's outreach, so it has a high level of uptake by Māori and Pasifika communities
 - appointing a suitable scheme administrator. In the Ministry's view the best agency for this role is the Energy Efficiency and Conservation Authority (EECA).

Recommendations

We recommend you:

- | | | |
|---|---|--------|
| 1 | discuss with officials your view of the early actions we have identified that are to: <ul style="list-style-type: none">• raise public awareness of the scheme's objectives, its link to the ERP and the purpose of the trial• shape the trial scheme's final design through focus groups with community representatives• task a suitable agency with the role of scheme administrator | Yes/No |
|---|---|--------|

2 discuss the potential for EECA to administer the trial scrappage scheme with the Minister of Energy and Resources. Yes / No



Ewan Delany
Manager, Environment, Emissions and
Adaptation

3.15.22.

Hon Michael Wood
Minister of Transport

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Minister's office to complete:

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Ewan Delany, Manager, Environment, Emissions and Adaptation	s 9(2)(a)	✓
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PROACTIVELY RELEASED BY
TE MANATU WAIATA MINISTRY OF TRANSPORT

EARLY ACTIONS TO PROGRESS THE TRIAL OF THE EQUITY-ORIENTED VEHICLE SCRAPPAGE SCHEME

We are working to have a trial of the scheme in place by July 2023

- 1 We are currently working on the policy design of the trial equity-oriented vehicle scrappage scheme and have contracted KPMG to develop the initial implementation plan. This work indicates that the likely start date for the trial scheme is July 2023.
- 2 Within this timeframe, you asked for advice on what short-term achievements or objectives could be delivered after the trial of the scrappage scheme is announced on Budget Day. This briefing responds to your request and a meeting is scheduled for Tuesday 10 May 2022 to discuss your feedback.

Three early actions could be taken following the Budget Day announcement

- 3 We have identified three early actions that could commence following the Budget Day announcement. The first two concern public awareness raising and community engagement. The third is to prioritise getting the scheme administrator in place and prepared.
- 4 The choice to proceed with the actions depends on your level of confidence that Cabinet will approve the policy design that we have briefed you on to date. This is the definition of low-income that makes people eligible to participate in the scheme¹, and the trial scheme's levels of financial assistance².
- 5 As there is considerable work to be done to design an effective scheme, including with the target populations, our advice is that it would be highly risky to go beyond the actions described below in the next year and attempt to launch an earlier trial.

Action 1 - Raise public awareness of the scheme's objectives, its link to the ERP and the purpose of the trial

- 6 The first early action is to raise public awareness of the scrappage scheme. Communications would start with the scheme being included in the Budget Day announcements. This announcement could be followed by a media release, in the weeks following Budget Day, outlining the scheme's link to the ERP, the detail of its objectives and the purpose of the trial.
- 7 This media release could be one of a series of communications on the transport initiatives developed under the Climate Emergency Response Fund (CERF) to support the delivery of the ERP.

¹ The proposed definition of low-income is having an individual income up to, and including, the adult fulltime living-wage of \$49,192. This reflects the new hourly rate of \$23.65 that will be in effect from 1 September 2022.

² The highest level of assistance proposed is \$12,075 for replacing a scrapped vehicle with an EV, or low emission alternatives, such as e-bikes and public transport. Assistance levels would be lower for PHEVs and petrol hybrids.

- 8 The media release about the scrappage scheme would ideally emphasise that it is one of several initiatives that will help create a just transition in the achievement of our climate goals. The scheme will have the specific objectives of helping to:
- 8.1 enable low-income New Zealanders to be part of, and benefit from, the transition to net-zero emissions, rather than bearing a disproportionate share of the costs
 - 8.2 reduce financial pressure for low-income New Zealanders by assisting them to replace a fuel-hungry fossil vehicle with a low emission one, or low emission alternatives, such as, e-bikes and public transport
 - 8.3 accelerate emission reductions through the earlier retirement of high-emitting vehicles and replacement by either low-emission ones, or low-emission alternatives, such as, e-bikes and public transport
 - 8.4 increase road safety for low-income New Zealanders by assisting them move out of 1- and 2-star safety rated vehicles, into vehicles with 3-stars or more.
- 9 Statements about the purpose of the trial would include that it is being done to test whether a targeted vehicle scrappage scheme is an effective mechanism to make low-emission vehicles, and low-emission alternatives, affordable for low-income New Zealanders. If the trial's evaluation shows that it is effective, the Government will look to expand it to other locations.
- 10 It could also be mentioned that the trial scheme is based on the successful Clean Cars 4-All programmes that operate in California. A trial enables us to test whether a similar targeted initiative will work in New Zealand.
- 11 Finally, the media release would highlight that input from community groups is being sought to refine the design of the trial scheme (discussed in paragraphs 14–16 below). We want to make sure that the trial scheme appeals to and reaches the communities it is intended to serve.
- 12 The media release could be followed by further communications setting out why equity policies, like a scrappage scheme targeted to low-income New Zealanders and Community Connect, are an important part of decarbonisation policies. This could emphasise that in the absence of a focus on equity, decarbonisation policies in transport could result in a widening of economic and social disparities.
- 13 Communicating the logic for the scrappage scheme is important because targeting relatively high levels of financial assistance to low-income New Zealanders for vehicle purchase, or low emission alternatives, will be novel in New Zealand. As it will be implemented in an inflationary environment, it could be viewed as a demand-stimulus that further fuels inflation through increasing vehicle prices.

Action 2 - Engage with the community to finalise and tailor the trial scheme

- 14 The second action is to invite selected representatives of the target communities to refine and tailor the trial scheme. This could be done through focus groups with representatives from iwi/Māori, Pasifika communities, and non-governmental organisations like the Manukau Urban Māori Authority and the Salvation Army.

- 15 The design aspects that would benefit from being tested and refined with community representatives include whether:
- 15.1 a vehicle scrappage scheme targeted to low-income New Zealanders will be seen as a valuable policy addressing a recognised need. If not, how could it be changed to increase its appeal?
 - 15.2 the proposed levels of financial assistance are likely to be sufficient to assist many low-income New Zealanders switch to low-emission vehicles, or low-emission alternatives
 - 15.3 defining low-income as people with an individual income of up to, and including, the adult fulltime living-wage is appropriate to target the scheme
 - 15.4 participants are likely to value having advisers available to help them select and purchase vehicles, and provide budget advice where they are considering a vehicle loan.
- 16 Alongside this design testing, the focus group(s) would be used to advise on implementation issues, including how best to:
- 16.1 build knowledge among low-income communities of the benefits of low emission vehicles
 - 16.2 raise awareness of the trial scheme and encourage participation within low-income communities. This would include asking how the outreach for the trial scheme could be tailored to increase uptake in Māori and Pasifika communities.
- 17 This engagement would complement the feedback that we have received from the Motor Industry Association, the Automobile Association, the Financial Services Federation and from MTA's scrappage workshop with representatives from the vehicle and scrappage industries.

Action 3 – Prioritise getting the scheme administrator in place and build the IT system

- 18 The last early action is to task an appropriate agency with administering the scheme. The sooner this can occur, the more likely it is that a July 2023 commencement for the trial scheme will be achieved.
- 19 Once in place, the scheme administrator will be able to advise on the precise timeframes required to establish the scheme, including recruitment and developing technology systems. Selecting an administrator with experience in similar schemes will allow for quick identification of gaps between their current resources and what is needed for success.
- 20 It is also likely that the scheme administrator will want to be involved in refining the operational detail of the scheme. It will want to start planning for the scheme's commencement to reduce its delivery risks.
- 21 A key risk relates to getting the necessary IT system in place. The scheme administrator will need to design, build and test a system that will:

- confirm participants' eligibility by verifying their statutorily declared annual income against Inland Revenue data
- register eligible participants and track their progress through the scrappage process
- pay grants to delivery partners on the participants' behalf.

22 We have considered having either Waka Kotahi or EECA as the scheme administrator. In the Ministry's view, the scheme fits best with EECA as:

- efficient and low-emissions transport is one of its five strategic focus areas
- it has a strong reputation of successfully delivering initiatives that influence people to move to cleaner transport. This reflects its organisational strategy that has the stated purpose of mobilising New Zealanders to be world leaders in clean and clever energy use
- its Gen Less brand could potentially create a strong platform that could be leveraged for the trial scheme
- it has some existing technology systems that could be used to quickly establish the IT system needed to operate the trial scheme
- it is experienced at engaging and working with households and businesses.

23 In comparison, Waka Kotahi has a broader portfolio of responsibilities. While it would be a capable administrator, it may not be able to apply the focus and resources needed to establish the trial scheme by the target date of July 2023. Even if EECA were to be the scheme administrator, Waka Kotahi would still need to be involved to help ensure vehicles subsidised through the scheme did not attract Clean Car Discount rebates.

24 We have approached EECA, and it is open to the idea of fulfilling this role, however, it would need to know more about the design of the scheme. EECA also currently does not have capacity to administer the scheme, so would need to understand the level of operational funding available. EECA's monitoring agency, the Ministry of Business, Innovation and Employment, is still considering the impact the role could have on EECA's legislated functions.

25 To help progress the trial scheme, we recommend that you discuss the potential for EECA to be the scheme administrator with the Minister of Energy and Resources, the Honourable Megan Woods.

Here is the timeline with the early actions included

26 A timeline combining the early actions with the main policy and implementation milestones is in the table over the page.

Implementation milestone	Timeframe
Trial of the equity-oriented vehicle scrappage scheme is announced as part of Budget 2022	19 May 2022
Media release on the scheme's objectives and the purpose of the trial	By 31 May 2022
Ministry advice on the trial scheme's process	By 31 May 2022
Design and establish the funding agreement with the scheme administrator. This work would be done in two parts. The first part would be a short-term agreement enabling the administrator to begin establishing the trial, including recruiting personnel and starting the procurement of the IT system. The second part would be the funding agreement for completion of the trial's establishment and its subsequent operation.	First part June 2022 Second part August–October 2022
Communications setting out the logic for equity initiatives, like the vehicle scrappage scheme targeted to low-income New Zealanders, as part of decarbonisation policies	By 30 June 2022
Briefing on the design of the trial scheme's evaluation	By 31 July 2022
Focus groups with community representatives to refine trial scheme's design and to tailor it to different communities	July – August 2022
Report to the Cabinet Economic Development Committee seeking approval of the design of the trial scheme, its location(s) and commencement	By 30 September 2022
Media release on Cabinet's decisions highlighting the selected locations and reiterating the scheme's objectives and the trial's purpose	By early October 2022
Scheme administrator contracts extra personnel to implement the trial scheme eg participant advisers	October – May 2023
Scheme administrator builds IT system to confirm participants' eligibility with Inland Revenue data, register eligible participants and to track their progress through the scrappage process, and to pay grants to delivery partners on their behalf	November 2022 – April 2023
Scheme administrator selects and contracts delivery partners e.g. reputable vehicle dealers and scrappers	January – May 2023
Scheme administrator starts promoting low emission vehicles and the scheme in low-income communities	May 2023 onward
Trial scheme in operation	1 July 2023