

OC241194

6 November 2024

Tēnā koe

I refer to your email dated 8 October 2024 requesting the following under the Official Information Act 1982 (the Act):

*“Any Correspondence between VIA (or their officers) and Ministry of Transport regarding accepting A** and C** vehicle emissions codes (used vehicles from Japan) as suitable for acceptable as compliant for NZ*

- Any advice given on the subject of suitability of A** and C** emissions codes to be acceptable from New Zealand Transport Agency (NZTA)*
- Any minutes of meetings between MOT and VIA (physical or virtual) where this subject is mentioned (possibly 14/08/2024) plus others*
- Any minutes of meetings between Ministry of Transport and New Zealand Transport Agency to discuss the suitability of A** and C** emission codes”*

With respect to the first part of your request: *“Any Correspondence between VIA (or their officers) and Ministry of Transport regarding accepting A** and C** vehicle emissions codes (used vehicles from Japan) as suitable for acceptable as compliant for NZ”*, we have identified one document that falls in scope. The document is marked as “VIA – Argument to reassess Dxx and Cxx” and is attached.

Certain information is withheld under the following sections of the Act:

9(2)(a) to protect the privacy of natural persons

Regarding the remaining part of your request, at the time this OIA request was made [8 October 2024] the Ministry of Transport has not received any advice from the New Zealand Transport Agency concerning this matter. Additionally, there are no minutes from any meetings between the Ministry of Transport and the VIA where the suitability of the A** and C** codes has been discussed.

Therefore, I am refusing the remaining part of your request under the following section of the Act:

18(e) that the document alleged to contain the information requested does not exist or, despite reasonable efforts to locate it, cannot be found

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā

A handwritten signature in blue ink, appearing to read 'Nick Paterson', with a long horizontal flourish extending to the right.

Nick Paterson
Manager Environment

Note from the Ministry of Transport: the original VIA's submission on proposed changes to the Exhaust Emissions Standards (20/06/2023) can be found on the Ministry's website here: <https://www.transport.govt.nz/assets/Uploads/SubmissionsreceivedonEuro6VIVehicleEmissionsStandards.pdf>

Doc # 1: VIA- Argument to reassess Dxx and Cxx



Submission to:

Ministry of Transport

on:

- Correcting Emission Standards Equivalency Determinations between European and Japanese Emission Standards

Prepared: 05 August 2024

Submitted: 11 August 2024

Email: g.wright@transport.govt.nz

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About VIA

The Imported Motor Vehicle Industry Association Incorporated (“VIA”) is the business association that represents the interests of the wider trade involved in importing, preparing, wholesaling, and retailing used vehicles imported from Japan, UK, and other jurisdictions.

Our members include importers, wholesalers, Japanese auction companies and exporters, shipping companies, inspection agencies, KSDPs¹, ports companies, compliance shops and service providers to the trade, as well as retailers.

We provide legal and technical advice to the trade, and liaise closely with the relevant government departments, including Waka Kotahi (NZTA), Ministry of Transport, New Zealand Customs Service, Ministry for Primary Industries (MPI), Ministry of Consumer Affairs, Commerce Commission, EECA, MfE etc.

Contact

For further contact in relation to this submission:

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Official Information Act 1982:

VIA has no objection to the release of any part of this statement of support under the Official Information Act 1982.

Privacy Act 1993:

VIA has no objection to being identified as the submitter.

¹ KSDP - key service delivery partner, organisations that are contracted or appointed by the Transport Agency to deliver regulatory products or services and who have sufficient market share and/or are of sufficient size and standing within an industry segment to be able to represent and influence the customer expectation of that industry segment.

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Executive Summary

This submission seeks to achieve five key objectives:

1. Ministry of Transport and NZTA recognition of Cxx levels of achievement as equivalent to outcomes required under the Euro 5 standard.
2. Ministry of Transport and NZTA recognition of Dxx levels of achievement as equivalent to outcomes required under the Euro 6 standard.
3. Collaboration between VIA and the Ministry to establish a robust methodology and principles for emission standards, emphasizing harm reduction from vehicle emissions.
4. A phased implementation of Euro 6 standards to ensure fairness between buyers of used imports and new imports.
5. Removal of the 2012 age ban for "Japan 2005 Low Harm" vehicles, as it is unjustified and arbitrary within a standards-driven system.

New evidence from Emission Impossible Ltd (EIL) validates our harm-based model and highlights the misalignment of current equivalencies. A reassessment is crucial to ensure evidence-based decision-making, market fairness, effective harm reduction, and support for lower-income and small business car buyers in New Zealand.

Introduction:

The Imported Motor Vehicle Industry Association (VIA) fully supports the Ministry of Transport's commitment to reducing noxious vehicle emissions to protect public health and the environment. Establishing stringent emission standards is essential for mitigating the harmful effects of pollutants such as PM_{2.5} (fine particles less than 2.5µm in size) and NO_x (oxide of nitrogen) on both human health and the surrounding environment. VIA shares the Ministry's goals and is committed to contributing to the development of policies that effectively and equitably achieve these objectives.

However, while we endorse the overarching goals of the Ministry's proposed amendments to the *Land Transport Rule: Vehicle Exhaust Emissions 2007* ("VEE Rule"), we have significant concerns about the methodology used to determine the equivalency between European and Japanese emission standards. Despite requests for more information about the Ministry's methodology, we are yet to be given a clear understanding of how the Ministry determined some of the conclusions in the amendments, such as Dxx achievement as equivalent to Euro 5.

Our primary objectives with this submission are:

1. **Government Recognition of Cxx Levels of Achievement as Equivalent to Euro 5:** Our independently verified harm-based modelling demonstrates that vehicles meeting the Cxx levels of achievement cap harm more effectively than those meeting Euro 5.

2. **Government Recognition of Dxx Levels of Achievement as Equivalent to Euro 6:** Similarly, our independently verified evidence shows that Dxx levels of achievement are more stringent in harm reduction than Euro 6 standards.
3. **Collaboration on Methodology and Principles:** We encourage the Ministry to work with VIA to establish a fundamental methodology and principles for emission standards. The primary goal in implementing emission standards should be to limit harm from vehicle emissions, a priority not evident in previous amendments.
4. **Phased Implementation of Euro 6:** We advocate for a phased approach to Euro 6 implementation. It is unfair that those who need to buy affordable used imports from overseas may soon be required to meet more stringent emission standards than buyers of higher-value new imports.
5. **Removal of the 2012 Age Ban:** The amendments to the emission rule defined "Japan 2005 Low Harm" as Dxx and first registered after 2012. The 2012 age ban should be removed as it is unjustified in a standards-driven system, which New Zealand has, because there was no change in the 2005 Japanese emission standards between 2005 and 2012 that would result in decreased harm.

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Background:

In our original submission on proposed changes to the exhaust emissions standards (20/06/2023), VIA highlighted several critical factual errors in the proposed amendments to the VEE Rule, specifically concerning the equivalency between European and Japanese emission standards. Our submission included a detailed, quantified harm-based model providing a clear and quantified comparison of the two standards based on their effectiveness in reducing harmful emissions.

Cxx and Dxx are levels of achievement or improvement on the base Japan 2005 standard.

- Cxx denotes a level of achievement that exceeds the requirements for the base Japan 2005 standard by at least 50%, and
- Dxx denotes the vehicle has exceeded the baseline Japan 2005 standard by at least 75%.

The categorization of these levels of achievement is similar to the way incremental improvements in European standards are denoted by a letter after the standard (i.e., Euro 5a, Euro 5b, Euro 5d, etc.). The difference is that the Europeans implemented these levels of achievement as an expectation over time to demand incremental progress, whereas the Japanese standard created the option to achieve them all from the beginning and offered tax benefits for achieving them.

Both strategies aim to achieve progress, and one is not inherently better than the other as long as progress occurs.

Most light commercial vehicles in Japan, such as vans, are rated Cxx until the 2020s. This means that there is now no way to source affordable used light commercial vehicles from Japan; used light commercial vehicles will need to be much newer than most can afford, significantly increasing costs for businesses, particularly small and medium-sized enterprises (SMEs) such as tradies and builders. **Industry participants have identified cost increases of around 30% (with prices for vans rising to approximately \$40,000 from \$30,000).**

In stark contradiction to the intent of the VEE Rule, the available alternative is older diesels that meet the current emissions rule but are significantly more harmful to both public health and the environment. Our members, used car importers, have no interest in these old diesels and would prefer to import newer, better-quality Cxx petrol vans. However, New Zealanders and New Zealand-based businesses face affordability constraints, especially during the current cost-of-living crisis.

Recognizing Cxx as equivalent to Euro 5 will enable the importation of more Cxx passenger vehicles, but we believe this is justified and is not a step backwards. Our research, which is the only attempt to

quantify the equivalency between standards that we know of, has been verified by EIL² as robust and the best option currently available.

It shows that even the baseline Axx achievement of the Japan 2005 standard limits harm as well as the Euro 5 standard. Nominally, Cxx is 50% cleaner and Dxx is 75% cleaner than the baseline, but based on our model, actual harm reductions are half that at 20% and 35% respectively, and we have based our argument on those values (which still exceed the harm prevention from Euro 5 and Euro 6 respectively).

Limiting harm should be the primary purpose of emission standards. Our peer-reviewed research shows that Cxx far exceeds the health benefits of Euro 5 and, while it might be technically correct to argue for Axx achievement as sufficient, we support targets that move the fleet profile forward and can accept this significant compromise in the name of public health. We would like to see Cxx and Dxx recognized as equal to or better than Euro 5. This recognition will allow our members to continue importing Cxx and Dxx vehicles.

The best way to accomplish this is to redefine the term "2005 Low Harm Standard" in the emission rule to include Cxx or Dxx or newer emission tests. Similarly, and consequentially, we would like to see Dxx recognized as equivalent to or better than Euro 6 (due to become the standard from 2028).

Furthermore, the general philosophy behind New Zealand's recognition of standards allows one class of vehicle (such as diesels) to cause a certain amount of harm while declaring that other classes, such as small Cxx-rated petrol vehicles, are too harmful to import even though they demonstrably cause a fraction of the harm. This unfairness is recognized in the latest European standards and is why Euro 7 is fuel-agnostic. We recommend that the Ministry revisit our original submission on the (then proposed) amendments to the VEE Rule and our argument that New Zealand could implement a similar approach by specifying a cap on harm for imported vehicles. This would create a fairer market by giving all importers equal requirements and allow for progressive improvement by showing how specific standards become unacceptable as the harm cap is lowered over time. Most importantly, it reduces harm by putting pressure where it belongs, on the most harmful vehicles.

² EIL is a well-respected group of specialists who undertake a range of transport and air quality work, including the recent HAPINZ 3.0 study. [Emission Impossible](#)

Review by Emission Impossible Ltd (EIL):

The Imported Motor Vehicle Industry Association (VIA) commissioned Emission Impossible Ltd (EIL) to review our harm-based methodology for assessing noxious emissions. This review aimed to ensure our approach aligns with best practices and utilizes the most accurate and relevant data available. The findings from EIL validate our methodology and highlight the need for the Ministry of Transport to reassess the current equivalency between European and Japanese emission standards.

Below is a summary of EIL's review:

Fleet Sector Selection:

EIL confirms that VIA's selection of fleet sectors is appropriate and aligns with those used by Waka Kotahi's Vehicle Emissions Prediction Model (VEPM). The chosen sectors—light passenger diesel, light passenger petrol, light commercial diesel, and light commercial petrol—are consistent with the categories used to set emission standards and predict emissions from vehicles in New Zealand. This alignment ensures our analysis is grounded in the best available estimates of average “real-world” emissions for different vehicle subcategories within the fleet.

Emission Standard Limits:

EIL supports VIA's approach to assessing emission standard limits, particularly our inclusion of intermediate attainment levels for Japanese standards, such as Jap 2005 with 25% and 50% achievement. These attainment levels are crucial for recognizing the superior performance of certain Japanese vehicles in reducing harmful emissions.

Test Cycle Adjustment:

Given the scarcity of real-world emissions data for Japanese vehicles, EIL finds VIA's use of conversion algorithms developed by the International Council on Clean Transportation (ICCT) to be reasonable and effective. These algorithms convert emission limits to a 3P-WLTP equivalent test cycle, allowing for a fair comparison across different standards. EIL agrees with our approach but suggests using separate averages for light petrol and light diesel vehicles entering the fleet to account for differences in engine sizes and emissions characteristics. This refinement would further enhance the accuracy of our harm-based model by better reflecting the real-world emissions performance of these vehicles.

Harm Monetisation:

EIL concurs with VIA's methodology for monetizing the harm associated with noxious emissions. This process involves scaling the emission standard limits to per 1,000 kilometres of vehicle travel and multiplying by the relevant damage costs. The damage

costs, derived from the HAPINZ 3.0 study, are crucial for quantifying the public health impacts of pollutants such as PM_{2.5}, NO_x, VOC, CO, and NH₃. These damage costs have now been adopted in the NZ Transport Agency's Monetised Benefits and Costs Manual and are recommended for use in cost benefit analyses by the NZ Treasury.

Overall Conclusion:

EIL's comprehensive review confirms that VIA's harm-based approach to comparing emission standards is both appropriate and robust. While EIL provides minor recommendations for further refinement (which VIA has or is working to adopt), their validation of our methodology underscores the credibility and reliability of our harm-based model. This validation highlights the urgent need for the Ministry of Transport to reassess the current equivalency between European and Japanese emission standards based on our evidence, which demonstrates that Japanese standards, specifically the Dxx and Cxx ratings, cap harm more effectively than what has been declared as their European counterparts³.

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³ In the alternative, the Ministry must respond to our requests for detailed information as to how it determined equivalency between Euro 5 and the Japan 2005 standard and its Dxx achievement levels.

Request for Reassessment:

Considering the evidence presented and validated by Emission Impossible Ltd (EIL), the Imported Motor Vehicle Industry Association (VIA) respectfully requests that the Ministry of Transport undertake the following critical actions to ensure a fair and effective regulatory framework for vehicle emissions:

1. Re-evaluate the Equivalency of Standards:

VIA urges the Ministry of Transport to reassess the equivalency between the Japanese Dxx and Cxx levels of achievement and their European counterparts. Our harm-based model, validated by EIL, clearly demonstrates that:

- **Dxx (Japan 2005 with 75% achievement) caps harm more effectively than Euro 6.**
- **Cxx (Japan 2005 with 50% achievement) caps harm more effectively than Euro 5.**

The current equivalency assessments inaccurately equate Dxx with Euro 5 and Cxx with Euro 4, thereby underestimating the stringent controls and advancements within the Japanese standards. A re-evaluation based on actual harm reduction, as demonstrated by our model, will ensure that the standards are fairly and accurately compared, leading to better public health outcomes and fairer market conditions.

2. Adopt a Harm-Based Approach:

The current framework defines a "better standard" primarily by the date of implementation rather than its effectiveness in reducing harm. VIA proposes that the Ministry of Transport redefine "better standard" within the Emission Rule to prioritize the efficacy in preventing harm from noxious emissions. A harm-based approach would focus on the actual environmental and health benefits achieved by the standards, rather than merely their chronological implementation. This shift in perspective will ensure that the most effective standards are recognized and enforced, leading to a more substantial reduction in harmful emissions and improved public health outcomes.

Additionally, adopting a harm-based approach would create a fairer market by ensuring all importers operate under the same set of rules regarding capping harm. It is illogical and counterproductive to allow the importation of extremely harmful diesel vehicles while prohibiting the importation of small petrol vehicles that cause a fraction of the harm. This inconsistency undermines the primary objective of the emissions rule, which is to limit the harm from noxious emissions. By applying a consistent harm-based standard across all vehicle types, we can achieve a more equitable regulatory environment that genuinely prioritizes public health and environmental protection.

3. Collaborate on Methodology and Principles:

We seek to work with the Ministry to establish a fundamental methodology and principles for emission standards. The primary goal in implementing emission standards should be to limit harm from vehicle emissions. This priority was not evident in the previous amendments, and it is crucial to realign our efforts to focus on the actual harm reduction capabilities of different standards. Collaborating on this will ensure that the standards are evidence-based, effective, and aligned with the broader goals of public health and environmental protection.

4. Phased Implementation of Euro 6:

We advocate for a phased approach to Euro 6 implementation. Under the current rule, both new and used vehicles will be expected to adopt Euro 6 in 2028. This is the first time we have ever been expected to align, and there is a reason we haven't before. The idea that buyers of used cars, usually because that is all they can afford, must meet the same requirements with their 7-year-old vehicles as buyers of more expensive new cars is absurd. If the technology was available 7 years previously, the new car industry should have been expected to supply it. The fact that the new car industry is not expected to meet these requirements until 2028 shows that there are either cost or supply barriers that would have been even more evident 7 years previously when the then-new used cars were introduced.

Adding to this, we note that the implementation of Euro 6 for the new car industry has actually been tied to its implementation in Australia. If there are any delays in Australia, then buyers of more affordable used cars might be expected to meet these requirements in 2028 while buyers of new cars can continue to import Euro 5 vehicles. This is unconscionable and absurd. We recommend that the legislation be rewritten so that used cars move to Euro 6 three or four years after it is required for the new industry, or 2028, whichever comes second. This phased approach will ensure a smoother transition and greater fairness in the application of these standards.

5. Removal of the 2012 Age Ban:

The amendments to the emission rule defined "Japan 2005 Low Harm" as Dxx and first registered after 2012. The 2012 age ban should be removed as it is unjustified and arbitrary within a standards-driven system. There was no change in the 2005 Japanese emission standards between 2005 and 2012 that would result in decreased harm. A vehicle awarded a Dxx rating denoting 75% achievement over the baseline 2005 standard in 2005 would have the same harm prevention as one tested after 2012. Defining "Japan 2005 Low Harm" with that 2012 age ban is simply arbitrary and unwarranted.

We must assume that the Ministry, when making this decision, was trying to accomplish one of several things. First, they might have been trying to remove everything tested to the old Japanese "10/15 mode" emission test, which was phased out in Japan. There is an argument to be made for this due to how inaccurate it can be compared to real-world emissions. The problem with this

argument, however, is that NEDC is another emission test that is still accepted and it deviates from real-world emissions potentially as poorly as 10/15 mode.

Alternatively, the Ministry could have been attempting to implement a de facto age ban. There is this traditional idea that newer cars are always better, but there are several important points to consider:

1. An old car from Japan often has newer technology than a newer car sold new in New Zealand (even if at a cost premium).
2. On average, the cars being imported from Japan are demonstrably less harmful due to their lighter weight, lower emissions, and other vehicle characteristics.
3. The data to rate safety and efficiency is readily available without relying upon indiscriminate policies such as broad age bans. If we want to ensure better vehicles are imported, then let's define "better" and create rules to assure those better vehicles are targeted for importation into New Zealand.
4. Finally, cars supplied into Japan are demonstrably of better quality than car supplied into New Zealand. The evidence of this is clear in the data: cars imported from Japan last longer on average.

By reconsidering and removing the 2012 age ban, the Ministry can align the regulatory framework with actual harm reduction goals and ensure a more rational and fair approach to vehicle importation standards. This change will allow the importation of more affordable, better quality, lower harm vehicles, thereby benefiting public health and the environment.

Conclusion:

By undertaking these actions, the Ministry of Transport can ensure that it has an evidence-based regulatory framework for vehicle emissions that is both fair and effective in reducing harm. Reassessing the equivalency of standards based on actual harm reduction, adopting a harm-based approach, collaborating on methodology and principles, implementing a phased approach to Euro 6, and removing the 2012 age ban will lead to better public health outcomes, fairer market conditions, and greater support for lower-income car buyers.

We are keen to work with the Ministry to prove the validity of our arguments with data and quantifiable evidence. Thank you for considering our submission. We look forward to your response and are available for further discussions.