Submission on the Land Transport (Clean Vehicle Standard) Amendment Bill (No 2) to the Transport and Infrastructure Select Committee

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This submission is from:

Motor Trade Association (MTA)

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Kind regards,

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1. About MTA

The Motor Trade Association (Inc) (MTA), established in 1917, has earned and maintained the trust of New Zealand's motoring community for over a century. As the peak body for the nation's automotive industry, MTA represents more than 4,000 businesses that keep New Zealand moving – from repairing, fuelling, and inspecting vehicles to buying, selling, and importing them. Our members span general and specialist automotive repair (heavy and light vehicles), collision repair, service stations, parts and accessories, auto electrical, vehicle importers and dealers, inspection services, and vehicle recovery. Collectively, the automotive industry employs over 60,000 New Zealanders and contributes around $6.4 billion to the economy. Recognised as an authority on industry matters, MTA is committed to helping families, businesses, and communities travel and connect safely.

2. Introduction

MTA represents both new franchise and used import vehicle dealerships across New Zealand. In recent years, the vehicle sales sector has faced significant disruption due to frequent regulatory changes and policy reversals. The industry is now in a highly vulnerable state, with closures becoming increasingly common.

Since 2017, the dealer network has shrunk by more than 900 businesses – a 26% decline – disproportionately affecting small and independent operators. Feedback from some MTA members indicates that the current economic downturn feels more severe than the Global Financial Crisis due to its prolonged impact and slow recovery.

While recent adjustments to the Clean Car Standard (CCS) were welcome, the scheme itself arguably stands in the way of meaningful emissions reductions. Instead, it risks further destabilising the market by imposing significant cost burdens on consumers and reducing vehicle variety in some sectors.

The planned reduction in CCS CO_2 targets over the coming years will lead to higher prices and less choice, as importers and manufacturers shift towards lower-fee models. This could distort New Zealand's vehicle supply.

Broader economic pressures – including rising fuel, shipping, and insurance costs – have significantly impacted vehicle affordability and are placing further strain on the market. Prices for used imports have surged by 30%, while volumes have dropped by more than 20%. There has also been a noticeable decline in vehicle variety, with the top three selling brands year-to-date (YTD) accounting for nearly 65% of total sales, and just three of the top ten models making up almost 25% of the overall volume.

As affordability declines, families are increasingly holding on to older, higher-emitting, lower safety-rated vehicles. This is contributing to a rising national fleet age, now at 15.6 years. This trend undermines efforts to reduce emissions, improve vehicle safety, and modernise the fleet – highlighting the urgent need for policy change, as the well-intentioned scheme is showing signs of having the opposite effect.

The proposed extension of carbon credit lifespans and the ability to trade between new and used sectors is commendable. However, without access to credits, most dealers will be unable to benefit, particularly under stricter CO_2 targets. This will inevitably result in costs being passed on to consumers – particularly unpalatable in a cost-of-living crisis.

Finally, the removal of the weighted average process may appear beneficial in the short term, but it will accelerate market pressures as CO_2 targets tighten. As a technology taker, New Zealand risks reduced model availability and increased pricing, further challenging both dealers and consumers.

3. Used imports

The used import vehicle sector has experienced a significant and sustained downturn since its peak in 2017, when combined passenger and commercial vehicle sales reached 178,685 units. By 2024, that number had fallen to just 104,002 units – a decline of 74,683 vehicles, or nearly 42% (41.8%), over seven years.

The outlook for 2025 is even more concerning. As of August 2025, year-to-date (YTD) figures show a further 18.3% drop compared with 2024, equating to 13,445 fewer vehicles. This positions 2025 to be the lowest trading year since 2012 – underscoring the urgent need for policy stability and targeted support to prevent further erosion of this critical segment of the automotive industry.

4. New vehicle sales

Year-to-date (YTD) new vehicle registrations have increased by 5.8% – an uplift of 4,768 units compared with the same period in 2024. However, this modest gain still falls short of a full recovery, with volumes down 14,203 units, or 14.05%, compared with the same period in 2023.

Notably, 2023 was the lowest trading year in nearly a decade – excluding the COVID-affected 2020 – with total registrations falling below 2016 levels (146,938 units). This

highlights that while there are signs of improvement, the market remains fragile and uneven in its recovery.

5. Electrification of the fleet

The electric vehicle market is typically divided into three main categories:

1. Battery Electric Vehicles (BEVs) – Fully electric vehicles powered solely by a battery, with no internal combustion engine. They produce zero tailpipe emissions.
2. Plug-in Hybrid Electric Vehicles (PHEVs) – Vehicles that combine a battery-powered electric motor with a traditional petrol or diesel engine. They can be charged via a plug and run on electric power for short distances before switching to fuel.
3. Hybrid Electric Vehicles (HEVs) – Vehicles that use both an electric motor and a combustion engine, but cannot be plugged in. The battery is charged through regenerative braking and the engine itself.

Each category offers different benefits and plays a unique role in transitioning toward lower-emission transport.

Early adopters embraced electric vehicles with enthusiasm, making the most of the Clean Car Discount (CCD). In conjunction with tough economic times, consumer demand has slowed since the ending of that scheme, despite significant discounting. Year-to-date, only 7.9% of new passenger vehicles are BEVs and 4.8% are PHEVs, while HEVs make up 38.2%. This reflects the true transitional phase between internal combustion engine (ICE) vehicles and a consumer-driven shift toward electrified alternatives. Unfortunately, due to the progressively stricter CCS CO_2 targets, most HEVs will not meet future requirements.

In the light commercial vehicle (LCV) sector under 3,500kg, the gap is even greater: BEVs account for just 1.5%, PHEVs 6.8%, and HEVs 15.8%, while diesel dominates at 72.9%.

New Zealand's rugged terrain, dispersed population, and prevalence of trade-based small and medium enterprises (SMEs) have long driven demand for diesel-powered light commercial vehicles. These "workhorses" offer the towing capacity, payload, and off-road capability essential for tradespeople, farmers, and rural contractors. Diesel utes dominate the market because they are cost-effective to run, offer high torque for heavy loads, and are supported by widespread servicing infrastructure. In addition, they may qualify for tax benefits such as Fringe Benefit Tax (FBT) exemptions when used strictly as work-related vehicles.

However, as new low-emission technologies enter the market, this landscape is beginning to shift, for instance with the arrival of BEV vans such as the Ford Transit, LDV's Deliver

range, Mercedes, Peugeot, and Volkswagen models. Added to this are LDV's BEV ET60 and Geely's Riddara RD6 ute, along with PHEV offerings such as the BYD Shark 6, Ford Ranger, and GWM Cannon.

More models are expected to arrive over the next 12–18 months, offering viable alternatives for SMEs seeking lower-emission options without sacrificing utility. These developments signal a growing opportunity to transition the light commercial sector toward cleaner technologies – but success will depend on infrastructure, continued support, and affordability.

While these vehicles are now available, we are only months into their introduction, and it will likely take several more years before they are more mainstream.

6. Unpredictability in importing

The price of used hybrid vehicles in New Zealand has surged dramatically – for example, the same model that sold for $15,000 in 2019 can now fetch up to $22,000, placing it out of reach for many middle-income households. This sharp increase is driven by mounting international demand and reduced volumes available.

New Zealand's heavy reliance on Japanese used imports – which account for over 95% of the second-hand imported vehicle market – makes it particularly vulnerable to fluctuations in Japan's vehicle turnover and manufacturing output. Any slowdown in Japan directly affects local supply and pricing, with long-term implications for the affordability and availability of used vehicles.

Japan is currently facing economic headwinds and ongoing supply chain disruptions. Compounding this is a surge in demand from countries such as the UAE and Mongolia, which have significantly increased their import volumes since sanctions limited exports to Russia. Over the two-year period from 2022 to 2024, Mongolia increased purchases by 141.4% (65,396 units), while the UAE recorded a 50.1% increase (75,980 units) over the same period. This has created a perfect storm – tightening global supply and driving up competition for Japanese stock.

As a result, the flow of affordable, safer, low-emission vehicles into New Zealand has become increasingly unpredictable. Year-to-date figures show that 57% of used imports are between 10 and 16 years old – a segment that does little to reduce the average age of New Zealand's vehicle fleet. Vehicles under 10 years old make up 41%, while pre-1980s models account for less than 2%.

7. Ongoing challenges for consumers

Amid the current economic downturn, the MTA mediation team has seen a noticeable rise in complaints related to vehicle purchases. Some of these stem from consumers seeking to exit finance agreements that have become unaffordable due to changing personal circumstances.

Separately, the collapse of a dealership has far-reaching consequences for consumers, often leaving them without recourse for warranties, servicing, or unresolved disputes – impacts that can linger for years.

Looking ahead, there is growing concern that the introduction of CO_2 regulations for 2026 and beyond could place additional financial strain on already vulnerable dealers, potentially accelerating business closures and compounding the challenges faced by both consumers and the wider industry.

The loss to consumers goes far beyond financial hardship – it represents a breakdown in trust, security, and confidence in the registered motor vehicle purchasing process. Without proactive support and safeguards, everyday New Zealanders risk being pushed toward lower-value, older, and higher-emitting vehicles sold by non-registered traders. In these unregulated environments, there is no safety net: no warranty protection or affordable dispute resolution, and no assurance of vehicle safety or compliance. This shift not only exposes consumers to greater financial and mechanical risk but also undermines broader environmental and safety goals.

8. Incentives need to be fit for purpose

As demonstrated with the Clean Car Discount (CCD), incentives can significantly influence purchasing behaviour. By making low-emission vehicles more financially attractive as a temporary measure, the market saw a clear shift in the types of vehicles being bought across New Zealand. Unfortunately, the CCD benefited some consumers at the direct expense of others.

Government policy must avoid adding unnecessary costs that could deter uptake. Instead, it should be paired with ongoing education and transparent communication about the environmental and economic benefits of low-emission vehicles. Keeping vehicles affordable is critical – if consumers feel penalised or priced out, the shift will stall.

New Zealand's ageing vehicle fleet is a contributor to our overall transport emissions. If the Government wishes to address this, more targeted policy settings could encourage the

uptake of newer vehicles without imposing burdensome fees in lieu of the CCS. With the digitisation of RUC, other charges – such as vehicle registration, time-of-use pricing, and tolling – can be centralised on single platforms offered by multiple providers. This creates opportunities to adjust fees dynamically, for example by lowering registration costs for newer vehicles or offering temporary RUC exemptions.

9. Conclusion

The used import sector is in a state of sustained decline, with sales down nearly 42% since 2017 and 2025 shaping up to be the weakest trading year in over a decade. While new vehicle registrations have shown modest improvement, they remain well below historical norms, and the market continues to struggle with affordability, consumer confidence, and policy uncertainty.

What is particularly concerning is that the growing shortfall in used vehicle year-to-date (YTD) figures is not being offset by gains in new vehicle sales. The current reduction of nearly 9,000 units is contributing to an increase in the average vehicle age and, in turn, higher emissions.

The CCS while well-intentioned, is proving to be an increasingly blunt instrument – penalising consumers and distorting supply without delivering meaningful emissions reductions. There is a growing consensus that the CCS, in its current form, is no longer fit for purpose and should be either significantly reformed or replaced with more effective, equitable alternatives.

Meanwhile, the new vehicle sector, though showing signs of recovery, remains fragile. Battery electric vehicle uptake has slowed post-incentives and despite heavy discounting, and the light commercial segment – critical to New Zealand's trade-based economy – continues to be dominated by diesel. While promising new low-emission models are entering the market, their adoption will take time and will depend heavily on infrastructure, affordability, and continued positive policy support.

To ensure a sustainable transition, New Zealand must adopt a more balanced, fair, and pragmatic policy framework – one that supports both environmental ambitions and economic resilience.