

## Proactive Release

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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"> <li>(i) the Government of any other country or any agency of such a Government; or</li> <li>(ii) any international organisation</li> </ul>
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)

26 January 2023

OC230012

**Hon Michael Wood**  
**Minister of Transport**

**Action required by:**  
Tuesday, 31 January 2023

## **SOCIAL LEASING TRIAL - PROGRESSING AN APRIL 2023 START**

### **Purpose**

To provide the recommended approach for an April 2023 commencement of a social leasing trial and note the associated impacts on the launch of the remaining trials.

### **Key points**

- In December 2022, officials advised you of unanticipated complexities in developing a financially sustainable and scalable operating model. You have since made clear your continued expectation to establish a Social Leasing Scheme trial by April 2023.
- To launch a trial in April 2023, Waka Kotahi will need to design an initial trial that can be fast-tracked for delivery; this will likely impact the development of the remaining trials.
- The fast-tracked trial could be based on the Waka Aronui scheme with some modifications, and delivered in either South Auckland or Invercargill. This fast-tracked trial would only be able to supply approximately 10 vehicles due to procurement constraints. The trial is unlikely to be financially sustainable or scalable to the remaining locations but could be stood up relatively quickly and may provide some learnings for the wider scheme. There is a risk that a fast-tracked trial may receive limited community support due to it being designed and delivered with limited consultation.
- Development of the fast-tracked trial would delay work on the trial designed to test all elements of the scheme, including an operating model with the most effective and efficient commercial and financial structures (referred to here as “the most effective and efficient operating model”). The most effective and efficient operating model is intended to be rolled out across all locations, evaluated carefully, and scaled up if trials are successful. Waka Kotahi will need to divert resources from the development of the most effective and efficient operating model to establish the fast-tracked trial.
- Waka Kotahi advises that a launch of the fast-tracked trial will mean having the scheme in place ready to start working with potential participants (e.g. community partners and budgeting services in place, and vehicle supply ready to go). However, it does not anticipate vehicles could be provided to participants for several weeks as people will need time to learn about, then apply to enter the scheme. There will also be time taken to advise, assess and approve participants for eligibility.

- The September 2022 Cabinet paper required Cabinet agreement to the trial's design detail, locations, and delivery model for draw down of the remaining contingency. At this stage, we propose that you seek to draw down funding for the fast-tracked trial only.
- We will draft a paper to take advice on the proposed fast-tracked trial to Cabinet and request funding to be drawn down to purchase vehicles and establish contracts with community and/or commercial partners.
  - This paper can be taken to Cabinet in March 2023 with the proposed objectives, timeline, budget and location for the fast-tracked trial. The paper would propose decisions on the design detail and delivery model of the fast-tracked trial be delegated to you. This is our preferred approach as delegation of decisions recognises the agility needed in progressing an innovative trial quickly.
  - Alternatively, the paper can be taken to Cabinet in April 2023 and include proposed objectives, timeline, budget, location and design detail of the fast-tracked trial. An April Cabinet paper will allow Cabinet to be across the fast-tracked operating model design detail, but removes flexibility in trial design. This approach also risks delaying the scheme launch date if issues are raised during the Cabinet process.
- Further Cabinet approval will be required to progress the remaining trials. Due to the delay to this work to allow delivery of the fast-tracked trial, we do not know when this advice will be ready. However, Waka Kotahi will continue to progress this work as much as possible. Further advice will be provided to you in July 2023 on progress.
- Te Manatū Waka notes that progressing with a fast-tracked trial option may not provide good value for money as the trial is anticipated to be smaller scale and is likely to have higher costs associated with initial set up at pace. This will also reduce the funding available and delay the remaining trials. This approach could limit the positive impact of the scheme.

## Recommendations

We recommend you:

- 1 **note** that Waka Kotahi is working to develop the most effective and efficient operating model for the social leasing scheme trials and has identified some unanticipated complexities resulting in delays to the design of that operating model
- 2 **note** that Waka Kotahi is progressing work on a fast-tracked trial following your direction for an April 2023 launch for the first social leasing trial
- 3 **note** that to deliver a fast-tracked trial the delivery of the remaining social leasing trials will be further delayed
- 4 **note** that the trial established in April 2023 may not be financially sustainable, may not be scalable to other trial locations, and may not be supported by the community

**EITHER**

- 5 **agree** to take a paper to Cabinet in March 2023 requesting decisions on the objectives, timeline, budget and location for the fast-tracked trial – with decisions on the design detail and delivery model of the fast-tracked trial delegated to you (preferred) Yes / No

**OR**

- 6 **agree** to take a paper to Cabinet in April 2023 requesting decisions on the objectives, timeline, budget, location and design detail of the fast-tracked trial Yes / No
- 7 **note** that the Cabinet paper will not include the trial design detail, locations, and delivery model for draw down of the remaining contingency (as required in ENV-22-MIN-0036) for the most effective and efficient operating model as this information will not yet be available.



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Matt Skinner  
Manager, Environment and Emissions  
Policy Design  
26 / 01 / 2023

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Hon Michael Wood  
Minister of Transport  
..... / ..... / .....

- Minister's office to complete:**
- Approved
  - Declined
  - Seen by Minister
  - Not seen by Minister
  - Overtaken by events

**Comments**

**Contacts**

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# SOCIAL LEASING TRIAL - PROGRESSING AN APRIL 2023 START

## You have directed officials to establish a Social Leasing Scheme in April 2023

- 1 In December 2022, advice was provided to your office which outlined the challenges and risks around delivery of the Social Leasing scheme trial. These were identified through:
  - 1.1 initial engagement with communities conducted by Waka Kotahi – these were positive but raised significant issues with previous assumptions, such as the affordability of the proposed \$95 per week leasing fee for households
  - 1.2 s 9(2)(b)(ii)
  - 1.3 initial advice Waka Kotahi has received on its legal, privacy, tax and financial obligations in delivering the scheme – this is ongoing and will vary depending on the preferred operating model.
- 2 The December 2022 advice has been appended to this briefing as Annexes 1 and 2.
- 3 In January 2023, your office advised that you had set the continued expectation that a scheme be established in early 2023.

## Initial engagement on the scheme has been positive but some fundamental issues have been identified

- 4 Potential community partners and key stakeholders in Northland, Porirua and Southland are strongly supportive of the intent of the Social Leasing scheme.
- 5 Feedback received from communities has made it clear that we need to change our approach to designing this scheme if it is going to be effective for these communities. One example of this is the cost of the leases, which were initially proposed to be around \$100 per week, are unlikely to be affordable for the households or individuals in our target locations. Lowering or subsidising the leasing fee may in turn impact the financial sustainability of the scheme.
- 6 More engagement is needed with communities to understand limitations and options to address these better. However, this engagement has been delayed by community and stakeholder availability over the holiday period.

## Waka Kotahi is seeking advice on their obligations that may affect the viability of operating models

- 7 Waka Kotahi is seeking advice on the legal, privacy, tax and financial obligations in relation to the various operating model options. For example, Waka Kotahi needs to understand if it, as the delivery agency for the Social Leasing Scheme:

- 7.1 is captured by the definition of a 'reporting entity' as a 'financial institution', and therefore subject to the Anti-Money Laundering and Countering Financing of Terrorism Act 2009
- 7.2 is subject to obligations under the Credit Contracts and Consumer Finance Act 2003
- 7.3 can ensure the information it collects, as part of onboarding participants or the evaluation process, does not impact privacy issues
- 7.4 has tax liabilities regarding the buying or leasing of vehicles to sublet to participants
- 8 Waka Kotahi has received some feedback from its external legal advisors on 7.1 and 7.2 above in relation to the operating model options it is considering and is currently working through the implications of the advice.
- 9 Waka Kotahi does not expect to receive final legal advice on all the options until early February 2023. Advice on any privacy, tax or financial impediments for all three operating model options is expected around the same time.

**An April 2023 trial would be designed to launch quickly and may not meet all the intended objectives of the scheme**

- 10 To be able to launch a trial in April 2023, Waka Kotahi will need to design an initial fast-tracked trial that is likely to have a different operating model to the remaining trials.
- 11 Waka Kotahi have advised that a launch of the fast-tracked trial will mean having the scheme in place ready to start working with potential participants (e.g. community partners and budgeting services in place, and vehicle supply ready to go). However, Waka Kotahi does not anticipate vehicles will be provided to participants for several weeks after the launch as it will take time for people to learn about, then apply to enter the scheme, and then be advised, assessed and approved for eligibility.
- 12 The fast-tracked trial could be based on the Waka Aronui scheme with some modifications, and delivered in either South Auckland or Invercargill.
- 13 Modifications to the Waka Aronui operating model would be required regardless of location chosen for the fast-tracked trial, to ensure we address, reduce or remove the impediments to wider roll-out or scaling of the scheme as it is currently designed, including:
- 13.1 the cost of \$95 per week is unaffordable for many households
- 13.2 the scheme relies on <sup>s 9(2)(j)</sup> [REDACTED], which are unlikely to be available on a larger scale

13.3 s 9(2)(ba)(ii)

13.4 a community provider would need to be willing and able to replicate the current scheme. s 9(2)(ba)(ii)

- 14 This initial fast-tracked operating model may not be financially sustainable and may not be scalable to the remaining locations. The trial would be very small — the lease of any more than around 10 vehicles is unlikely to be achievable given the time available and All of Government procurement requirements.
- 15 There is a risk that the community and community partners will no longer support the trial as we will have to move at a pace they may not be comfortable with, and design and deliver a scheme with limited consultation. If there is a strong negative reaction to the trial design, this could have implications for the relationship Waka Kotahi holds with that community, especially for other projects going forward.
- 16 There may be potential impacts on participants should a sufficient trial period not be agreed. Care would be required to ensure any participants in the fast-tracked scheme understand the timeframes of the trial and what happens if it does not become a permanent scheme in their community.
- 17 Development of the initial fast-tracked trial would delay work on the trial designed to test all elements of the scheme, including an operating model with the most effective and efficient commercial and financial structures. The most effective and efficient operating model is intended to be rolled out across all locations and scaled up if trials are successful. Waka Kotahi will need to divert resources from the development and implementation of the most effective and efficient operating model to establish the fast-tracked trial.

**We recommend taking a paper to Cabinet in March requesting a draw down of additional funds for the fast-tracked trial**

- 18 The September 2022 Cabinet paper required Cabinet agreement to the trial's design detail, locations, and delivery model for draw down of the remaining contingency [ENV-22-MIN-0036 refers].
- 19 Funding would need to be drawn down from the remaining tagged operating contingency to support delivery of a fast-tracked trial. We will draft a Cabinet paper to take advice on the proposed trial to Cabinet and request funding to be drawn down. We would not request the full contingency as we will not yet be able to provide trial design detail, as it is dependent on establishing the most effective and efficient operating model.
- 20 A paper could be taken to Cabinet in March 2023 with the proposed objectives, timeline, budget and location for the fast-tracked trial. The paper would propose decisions on the design detail and delivery model of the fast-tracked trial be

<sup>1</sup> Impact investment is investing with the intention to generate positive, measurable social, cultural, or environmental impact alongside a financial return. An impact investor's intention is to create specific social, environmental, or cultural outcomes from their investment.

delegated to you. This is our preferred approach as delegation of decisions recognises the agility needed in progressing an innovative trial.

- 21 There is an advantage to requesting most decisions be delegated to you as this is a small, innovative programme of work that would benefit from a flexible and agile decision-making structure. This would allow decisions to be made faster and changed if new information suggested a change in approach was needed. This is our preferred option.
- 22 Alternatively, the paper can be taken to Cabinet in April 2023 and include the proposed objectives, timeline, budget, location and design detail of the fast-tracked trial. An April Cabinet paper will allow Cabinet to be across the fast-tracked operating model design detail, but removes flexibility in trial design. This approach also risks delaying the scheme launch date if issues are raised during the Cabinet process.
- 23 A second Cabinet paper will be required to draw down the remaining contingency for commencement of the full scheme. We do not know when the advice will be ready due to delays to this work to allow delivery of the fast-tracked trial. An update will be provided to you in July 2023 on progress towards designing the most effective and efficient operating model for the Social Leasing Scheme, with regular updates via Weekly Report items as this work progresses.

*A March 2023 Cabinet paper would delegate decisions of design detail, recognising the agility needed in progressing an innovative trial*

- 24 We anticipate a March 2023 Cabinet paper could request Cabinet decisions on:
  - 24.1 objectives and principles of the social leasing scheme
  - 24.2 proposed budget for the fast-tracked trial to launch in April 2023
  - 24.3 draw down of funds for the fast-tracked trial and the evaluation regime for the scheme
  - 24.4 proposed duration of the fast-tracked trial
  - 24.5 proposed location of the fast-tracked trial
  - 24.6 whether grants acquired from participating in the for Clean Car Upgrade scheme can be used to participate in the Social Leasing Scheme, if a co-location trial is designed (further information on this will be provided to you in the February 2023 briefing for the Clean Car Upgrade).
- 25 Delegation of decisions to you would be requested for the detail of the scheme, including:
  - 25.1 eligibility criteria for the scheme, such as:
    - 25.1.1 individual and household income thresholds for the fast-tracked trial
    - 25.1.2 proposed limits on applications per household
    - 25.1.3 proposed verification of eligibility



- 25.2 number and type of vehicles to be made available for the fast-tracked trial
- 25.3 weekly fee proposed for the leasing of vehicles in the fast-tracked trial
- 25.4 any additional services to be provided as part of the trial, such as support to install home charging facilities
- 25.5 any extension to trial or scheme duration
- 25.6 exit options and arrangements for the fast-tracked trial and the wider scheme
- 25.7 evaluation framework for the fast-tracked trial.

*An April 2023 Cabinet paper would include design detail decisions for Cabinet, but remove flexibility to meet community needs*

- 26 An April 2023 Cabinet paper could request Cabinet decisions on:
  - 26.1 objectives and principles of the social leasing scheme
  - 26.2 proposed budget for the fast-tracked trial to launch in April 2023
  - 26.3 draw down of funds for the fast-tracked trial and the evaluation regime for the scheme
  - 26.4 proposed duration of the fast-tracked trial
  - 26.5 proposed location of the fast-tracked trial
  - 26.6 whether grants acquired from participating in the for Clean Car Upgrade scheme can be used to participate in the Social Leasing Scheme, if a co-location trial is designed.
  - 26.7 eligibility criteria for the scheme, such as:
    - 26.7.1 individual and household income thresholds for the fast-tracked trial
    - 26.7.2 proposed limits on applications per household
    - 26.7.3 proposed verification of eligibility
  - 26.8 number and type of vehicles to be made available for the fast-tracked trial
  - 26.9 weekly fee proposed for the leasing of vehicles in the fast-tracked trial.
- 27 Delegation of decisions to you would be requested for:
  - 27.1 any additional services to be provided as part of the trial, such as support to install home charging facilities
  - 27.2 any extension to trial or scheme duration
  - 27.3 exit options and arrangements for the fast-tracked trial and the wider scheme
  - 27.4 evaluation framework for the fast-tracked trial.

*Wider context would also be provided in the proposed March or April 2023 Cabinet paper*

- 28 The Cabinet paper will also include details of:
- 28.1 design details and operating model of the scheme for the fast-tracked trial, including ownership of the vehicles to be leased and charging arrangements for electric vehicles (if included)
  - 28.2 role of participant advisors and community partners in the scheme
  - 28.3 an update on the work to identify the most effective and efficient operating model for the scheme
  - 28.4 a summary of the Waka Kotahi legal, privacy, tax and financial obligations that inform operating model options
  - 28.5 any financial implications if draw down of funds is agreed to.

**Te Manatū Waka advice: Progressing a fast-tracked trial could impact our ability to achieve the objectives of the scheme**

- 29 The objective of the Social Leasing scheme is to provide access to safe, zero- and low-emissions vehicles to people in Aotearoa on low-incomes, to reduce social and economic disparities that decarbonisation policies would otherwise exacerbate. The best way to achieve this outcome would be to develop the most effective and efficient operating model that can be sustained over time.
- 30 Setting up a fast-tracked trial could limit the positive impact of the Social Leasing scheme as it is able to support fewer people for a shorter period of time. As a result, the scheme's administration costs will likely be a greater proportion of total spend.
- 31 Te Manatū Waka notes that progressing with a fast-tracked trial option is unlikely to provide good value for money as the trial will be smaller scale (10 vehicles) and is likely to have higher costs associated with initial set up at pace (such as the diversion of Waka Kotahi resources to this trial design). This will also reduce the funding available for the remaining trials.
- 32 Additionally, the benefit to individuals will be limited if the initial trial cannot be transitioned to a more sustainable trial when the car lease period ends. Anticipation of the lease period ending and the lack of certainty about the longer-term solution may result in community partners and potential participants being hesitant to take part in the scheme.
- 33 In the September 2022 Cabinet paper, it was outlined that the trial aimed to assess whether a targeted social leasing scheme is generally an effective way to support households on low incomes to shift to cleaner transport, including through the consideration of:
- 33.1 the extent to which participants are likely to opt for social leasing over vehicle ownership

- 33.2 improvements that would make vehicle leasing more attractive to people with the greatest transport disadvantage, including design of the leasing arrangements and how the organisations engage with households.
- 33.3 the robustness of the social leasing model across a range of diverse communities (especially Māori and Pasifika), including communities in rural areas, and across a range of zero- and low-emission vehicles, including battery electric vehicles (EVs)
- 33.4 the financial sustainability of a vehicle leasing scheme, without long-term government support, including the ability to replace vehicles over time
- 33.5 the most effective and efficient commercial and financial structures for a vehicle leasing scheme
- 33.6 the affordability of a vehicle leasing scheme for households on low incomes, relative to their transport costs prior to the trial
- 33.7 the challenges and opportunities for households on low incomes shifting to EVs, including access to home charging
- 34 We consider that it will be particularly difficult to test the following through a fast-tracked trial designed to get off the ground quickly:
- 34.1 financial sustainability of a vehicle leasing scheme without long-term government support
- 34.2 the most effective and efficient commercial and financial structures for the scheme.

### Next steps

- 35 Following your decisions, we will draft a Cabinet paper to be taken to Cabinet in March or April 2023. If you agree with the preferred option of a March 2023 Cabinet paper with delegation of key decisions, we propose the following timing for the Cabinet paper.

Action	Timing	Comment
Draft Cabinet paper to your office for the weekend bag and begin Departmental Consultation (2 weeks)	8 February 2023	We propose sending the first draft to your office at the same time as we start departmental consultation, to allow other agencies sufficient time for comment.
Feedback received from your office	13 February 2023	
Changes made and paper submitted to your office for Ministerial Consultation to begin	15 February 2023	Ministerial consultation would then need to start while departmental consultation is ongoing.
Departmental consultation ends	22 February 2023	
Ministerial consultation ends	24 February 2023	

Action	Timing	Comment
Feedback from Ministerial consultation received by Ministry	27 February 2023	
Final paper for lodgement provided to your office	1 March 2023	
Lodge paper for DEV	2 March 2023	
DEV consideration	8 March 2023	If issues are raised, there is a back up option to aim for 15 March DEV or 16 March ENV.
Cabinet confirms decision	13 March 2023	The back up option would provide Cabinet confirmation on 20 March 2023.

- 36 In addition to the above Cabinet paper, further advice will be provided to you in July 2023 on progress towards designing the most effective and efficient operating model for the Social Leasing Scheme, with regular updates via Weekly Report items as this work progresses.

PROACTIVELY RELEASED BY  
TE MANATU WAKA MINISTRY OF TRANSPORT

## ANNEX 1

### Joint Te Manatū Waka and Waka Kotahi advice provided to your office on 16 December 2022

#### Social leasing update summary:

- Engagement to date with community entities in Northland, Porirua and Southland has found strong support for the intent of the Social Leasing scheme. These communities see the scheme unlocking multiple benefits for their people, such as greater access to work, education, and health care.
- There is strong support from the industry, other government agencies (e.g. MBIE, Office of Disability Issues), and entities such as vehicle suppliers and financiers (e.g. Green Investment Fund).
- Despite the strong support and commitment, Waka Kotahi advises that the current timeframe for delivery of a viable financial model and operating model for a national scheme, to be trialled in the three chosen locations, is not possible.
- The April 2023 start date for the trial was agreed by Cabinet based on the understanding <sup>s 9(2)(g)(i)</sup> [REDACTED] that its price point of \$95p/w would be affordable to the people the Social leasing scheme trial is trying to help.
- <sup>s 9(2)(b)(ii)</sup> [REDACTED]  
<sup>s 9(2)(g)(i)</sup> [REDACTED]  
Feedback is also emerging that \$95p/w may not be an affordable price point.  
<sup>s 9(2)(g)(i)</sup> [REDACTED]
- For this reason, Waka Kotahi is having to explore other options for operating models, including considering whether:
  - Waka Kotahi owns the vehicles to be leased
  - Waka Kotahi leases the vehicles from a vehicle leasing company
  - Waka Kotahi establishes a Special Purpose Entity to own the vehicles.
- The question of which vehicles need to be procured as part of the scheme and the impact on the weekly lease rate is also being considered.
- Each operating model will have tax, legal, procurement, accounting and privacy implications, which we need to understand before landing on a preferred option. Though Waka Kotahi is exploring these implications at pace, it will not have all the information required in time for the proposed February report back to Cabinet.
- Cabinet requires a report back on the design, locations and delivery model of the trials before the remaining contingency can be drawn down.
- Procurement cannot begin until Cabinet has agreed on the design, location and delivery of the scheme and the remaining contingency has been drawn down. It will depend on which operating model is chosen, but early advice is that procurement is usually a 12-week process. This means that even with a February report-back, Waka

Kotahi will not be ready to commence the trial in April as Cabinet intended [ENV-22-MIN-0036 refers].

- To deliver a scheme with an April start date, Waka Kotahi would make decisions based on what can be achieved the fastest. This will risk compromising the objectives of the trial as the need to deliver quickly overtakes the need to deliver a scheme that is designed in partnership with community delivery agencies and meets the needs of the communities and is viable to be scaled up and rolled out. If decisions are made quickly, we also risk unintended consequences of design decisions where Waka Kotahi were not able to fully consider these ahead of making decisions. A poorly designed scheme could risk damaging relationships with communities for both Waka Kotahi and the Government.
- The benefits of taking time to work with the communities, industry and other government agencies to deliver a trial and possible national rollout outweigh the negative aspects of delivering to meet a timeframe and risking lack of community buy-in for the scheme.
- Waka Kotahi advise that an updated timeline cannot be provided until due diligence of the possible operating models is completed. There is a risk that the Waka Kotahi investigation results in no operating models being considered viable, which would further delay timeframes significantly.
- The Ministry has not had time to fully consider advice on the operating model. Given the complexity of what is being considered, it will also be important to engage with other agencies such as Treasury, MBIE and possibly the Public Service Commission.
- Further detail on work Waka Kotahi has underway is provided in more detail below.

**QUESTION: Does the Minister have any views on the level of content required for the Cabinet report-back and what decisions may be delegated to him by Cabinet?**

PROACTIVELY RELEASED BY  
TE MANATU WAKA MINISTRY OF TRANSPORT

## Social Leasing Update

### Purpose:

The purpose of the document is to update the Minister on:

- Progress of the development of the social leasing scheme
- Outline the key risks and issues Waka Kotahi is facing

### In November 2022, we advised that the timeframes of the scheme were a key risk

On 23 November 2022 Waka Kotahi and the Ministry provided you an update on progress for the Clean Car Upgrade and Social Leasing Scheme, which noted that the tight timeframes Waka Kotahi is working to for the delivery of the Social Leasing and Upgrade schemes are a key risk. (Waka Kotahi has previously signalled throughout 2022 that timelines for both schemes were remarkably tight given the complexity of standing up completely new schemes for new purposes.)

For the Social Leasing scheme, this stems from the assumption that the Waka Aronui model, currently delivered by Ākina and other partners, could be rolled out more widely.

Waka Kotahi is working with Te Manatū Waka, subject matter experts, and engaging with community groups and the vehicle industry to design an operating model that will deliver a social leasing scheme that is:

- financially sustainability without long-term government support
- supplies vehicles that are priced at a level that is affordable for the target audience
- designed with community involvement to ensure their buy-in, support and ability to deliver

As we develop the operating model, further risks to the April 2023 delivery of the scheme are being identified. We are working to keep your office updated as soon as we identify these issues.

Waka Kotahi is currently gathering information from the following sources, with the noted issues impacting timelines

- Community engagement – to understand both the needs of the community and the community partners that are most likely be the key interface for the trials. This is being delayed by the availability of the community partners in the selected locations for the trial.
- External advice:
  - on options for the vehicle supply operating model, including implications for different design models
  - on availability of vehicles to be leased and the price impacts on the weekly payments by end users – this also determines the level of subsidisation the Government would be required to provide for the leases, which in turn affects the viability for the scheme for a national rollout.

Advice to understand the legal, tax, procurement, accounting and privacy implications of the operating models being considered.

Timeframes remain the biggest constraint and risk to undertaking adequate community engagement and identifying an appropriate operating model design in time to feed into the February report back and to meet the April start date for the trials.

## Strong community and industry support for social leasing

Engagement to date with community entities in Northland, Porirua and Southland has indicated strong support for the intent of the Social Leasing scheme. These communities see the scheme unlocking multiple benefits for their people, such as greater access to work, education and health care.

Community engagement has been undertaken in Murihiku (Southland) and in Te Taitokerau (Northland) over the last couple of weeks. Waka Kotahi has engaged in initial conversations with s 9(2)(ba)(i) in Porirua and in-depth engagement is planned for January 2023.

While pre-Christmas engagement has been constrained, progress has been made across the three locations. Across several workshops the following themes emerged:

- concerns were raised that the level of weekly payments required by end users may be too much for those we are trying to target (based on the Waka Aronui \$95/week requirement)
- that it is important to have budgeting advice attached to the service to ensure whanau are not taking on too much debt, and
- that prohibiting commercial use of the leased vehicles under the scheme may limit those looking to train and upskill.
- Māori community organisations:
  - want to be involved in the development of the scheme and how it is operated. They state that as the delivery partner in the community for the programme they must have confidence in what is being offered and how it is delivered
  - want to know where and how the knowledge and insights gathered will be used before consenting to its use. In their words “nothing about us, without us”
  - are conscious that government has a history of going into communities with promises and then leaving.

If one aspect has not been delivered/completed other aspects cannot be initiated

Waka Kotahi is currently receiving advice on options for the social leasing operating model. There are due diligence considerations that need to be undertaken to understand if these options are legal,, adhere to accounting principles for public entities and appropriately mitigate any risks to the parties involved.

Advice is being sought in relation to tax obligations and constraints, privacy issues and the legality of these options in relation to the Land Transport Management Act 2003, Crown Entities Act 2004 and other statutes that may impact the ability of Waka Kotahi to operationalise these options.

Detailed operational design for the social leasing trials will begin once the due diligence process has been completed and the Minister and Cabinet have agreed to a preferred viable option.

While any required procurement process is likely to change depending on the operating model selected, all the options being considered will require procurement of vehicles and/or services. Procurement advice from Waka Kotahi is that government procurement process takes up to 12 weeks which would take place after due diligence was completed. If Waka Kotahi was able to put the RFP in place immediately following Cabinet decision, the delivery date for the vehicles would be likely late May or early June at the earliest (assuming vehicle supply is not delayed).

This means that to meet the April start date, Waka Kotahi would have to initiate an RFP process prior to Cabinet making decisions on the preferred operating model.

However, release of funds to enable Waka Kotahi to procure vehicles and/or services is contingent on Cabinet agreeing to the design, locations and delivery model of the trials. If procurement began before the design detail was agreed by Cabinet, there would be a risk that Cabinet did not agree to the trial design the procurement was based on.



There could also be delays with vehicle delivery as suppliers can only confirm stock levels once the vehicle makes and volumes are confirmed, and this is in-part dependent on the preferred operating model.

The Cabinet report back in February is at risk because it is unlikely Waka Kotahi will be able to complete the required due diligence processes and confirm a preferred operating model in time to inform that advice. Te Manatū Waka would need that advice by mid-January 2023 and community engagement will still be occurring and due diligence is not expected to have been completed.

These delays and constraints have arisen because, when the February report back was agreed by Cabinet, s 9(2)(g)(i)

This, along with community availability prior to Christmas and during January, has impacted on Waka Kotahi being able to meet key milestones.

#### Waka Aronui model

The Cabinet paper: *Seed funding to establish a Social Leasing Scheme trial* (Appendix 1, page 11, Locations) indicated that a “fully electric expansion to the Waka Aronui trial in South Auckland” be assessed for viability as a consideration for standing up the Social Leasing trial.

The viability of expanding Waka Aronui to include fully electric vehicles is still being assessed.

As noted in the Progress update for the Clean Car Upgrade and Social Leasing trials briefing (OC221024 pages 6-7, paras 25-29), Waka Kotahi has been working with Ākina and MUMA to understand how Waka Aronui may inform the trial, and therefore any national implementation of a Social Leasing Scheme.

s 9(2)(g)(i)

It also may not be affordable for many participants. This is due to a variety of factors, including:

- s 9(2)(b)(ii)
- s 9(2)(b)(ii)
- The availability, willingness and ability of community partners (community organisations) s 9(2)(b)(ii)
- The ability of community partners to provide what is essentially the fleet management role of working through issues, communicating with participants when servicing is due etc.
- The affordability of \$95p/w is coming under increasing doubt as more community engagement is undertaken. A lower price point appears to be necessary in some communities.

Appendix 2 expands on the details above.

s 9(2)(b)(ii)

Although Waka Kotahi is still testing the ability of community partners in the identified locations to support a similar model, it is not the preferred option as it has limited viability in locations with smaller and more remote and financially disadvantaged populations than South Auckland for the following reasons:

- The level of debt required and the ability to service that debt would likely constrain a 'national' roll out to larger urban settings. Limiting accessibility by those most likely to be left behind in the transition to low-emission vehicles.
- The Waka Aronui model requires MUMA to own and manage a 20-vehicle fleet. As this trial is looking at three locations and up to 250 vehicles, community partners would be required to manage a 50-60 vehicle fleet if this model was replicated. <sup>s 9(2)(f)(iv)</sup>

A national roll out could mean community partners could be required to manage even larger vehicle fleets, incurring higher administrative and time costs and larger debt.

- <sup>s 9(2)(b)(ii)</sup>

Waka Kotahi is exploring whether the available CERF funding can be used as follows within its legal constraints.

1. Provide a low interest loan to community partners in the three trial locations, or
2. buy the vehicles and make the vehicles available to participants via the community partners.

However, the first option would not overcome the debt risk and vehicle management constraints for community partners and neither option is likely to prove scalable or financially sustainable without further investment by government beyond the trials.

<sup>s 9(2)(g)(i)</sup>

Staged commencement of the Social Leasing trials is not recommended

There are risks to Waka Kotahi and the government, if decisions on the operating model are made to meet the April 2023 start date, rather than designing a fit for purpose trial that meets the needs of the community.

Developing strong, trust-based relationships within the targeted communities has commenced and will be ongoing throughout the trials. Rolling out a scheme that is poorly designed, unsuitable for the communities involved or needing significant changes halfway through could have a damaging effect on those relationships.

A staged commencement would also require Waka Kotahi to complete due diligence on the operating model to be used before detailed delivery design can be undertaken and a decision can be made by Cabinet.


## ANNEX 2

### Further views from Te Manatū Waka as requested by your office, provided on 21 December 2022

1. We agree with all the key points that were expressed in the last document. This email provides additional comments from us.
2. If we step back from the exploration of the three alternative options, we have the following views:
  - a. Waka Kotahi may spend additional time and resource on exploring the options and at the end of this exploration, the assessment might conclude that none of the options are viable.
  - b. Waka Kotahi doing significant development work to design the scheme may result in Waka Kotahi running out of their initial funding and needing to request more funds to continue the work. This would reduce the funds available for the implementation of the scheme.
3. We have the following additional concerns in relation to the three alternative options. We believe these issues have arisen as Waka Kotahi has never established a scheme like this before. Neither Waka Kotahi nor Te Manatū Waka have the expertise in-house to assess the operating model options appropriately and are relying heavily on external advice contracted by Waka Kotahi.
  - a. Te Manatū Waka have concerns that, for the alternative options Waka Kotahi is currently considering, the following needs might not be met:

Needs for the trial	Possible risks
Minimise cost of overheads, so that more funding goes towards supporting the community with vehicles	This is at risk with the additional exploration required to understand the viability of options as well as the work required for detailed scheme design following the selection of a preferred option.
Ensure Waka Kotahi is able to do what they need to within their legal constraints	We currently have no advice on this but know Waka Kotahi legal constraints are being explored by Waka Kotahi for all of the options.
Meet the needs of the community and the community partners looking to deliver the scheme	The selected option could place constraints on the flexibility of the scheme and its ability to meet community needs. We need more information to understand this.
Create a scheme that is sustainable in the long term	Currently, it is expected that Waka Kotahi owning vehicles or leasing vehicles will make it more difficult to roll out if decisions are made to continue the scheme following the trial period. This makes the long-term sustainability of these trials uncertain.

- b. As we do not yet have enough detail on any of the options, we are not able to provide a strong view on the options being considered. We will work further with Waka Kotahi as they explore options, which may mitigate some of the risks noted below.

- While the creation of a Crown Entity Subsidiary (referred to as a Special Purpose Entity by Waka Kotahi) would limit risk to Waka Kotahi and make the scheme easier to roll out, it would also further remove the operation of the trial and scheme going forward from the Government, as the scheme would primarily be governed by the subsidiary board, who would in turn be accountable to the Waka Kotahi Board rather than the Minister of Transport directly. There are concerns that the initial intent of the scheme and the delivery of the scheme to the regions that need it most could not be assured. Waka Kotahi have indicated there would be ways to manage this risk, however we have not yet explored this in any detail. The going concern and long-term viability risks to Waka Kotahi would remain the same irrespective of the governance option recommended.
  - If Waka Kotahi owns the vehicles in the scheme, there would be more control, but Waka Kotahi is not set up to do something like this as part of their normal work-programme, so there would likely need to be organisation and recruitment decisions made if a rollout of the scheme were agreed. There would also be a question of how any supporting FTE at Waka Kotahi are funded.
  - We are also aware that initial community feedback has been that the price point that is affordable for these communities may result in low-emitting internal combustion engine vehicles being the only vehicles that meet the requirements. This would not be as effective in reducing emissions as a scheme that had only electric and hybrid vehicles.
  - There is also a risk that the pool of people eligible for the schemes in each community will be small due to needing to hold a full licence. We know that many under-served communities do not value a driver licence so this may limit the numbers that can participate on the scheme and make those individuals feel further excluded. On the other hand, if a full licence were not required for participation in the scheme there would be a risk to Waka Kotahi and the Road to Zero message, as well as implications for the insurance costs.
4. The above concerns further reinforce our view that the April timeframe is not feasible.
  5. If the scheme is created to meet the start date of April, Waka Kotahi will design it primarily to meet the deadline, rather than ensuring it is a sustainable scheme that meets the needs of the community. This risks failing the intent of the trial before it begins.
  6. Given these concerns, the following steps could be considered:
    - a. Pause current work to reassess whether a social leasing scheme as currently envisioned is the most appropriate solution and/or to re-evaluate the scope of the scheme utilising early findings from consultation. Other solutions that achieve the same goal could be considered, such as community-based car sharing schemes. However, any big change in direction would need to be carefully considered and may result in work that has happened to date being wasted. The social leasing scheme and the Clean Car Upgrade schemes are the only equity-oriented actions in the transport emissions reduction space that are currently underway, so we need to ensure any decisions continue to ensure we are focussing on an equitable transition.
    - b. s 9(2)(g)(i)  
  
Focussing resource on

answering this question could present a possible solution and reduce wasted effort on other options, it could also risk wasting effort on an option that is not viable and delaying further advice on the other options being considered.

However, as Waka Kotahi do not own the scheme, <sup>s 9(2)(g)(i)</sup>

this  
would be a risk if this approach were chosen.

PROACTIVELY RELEASED BY  
TE MANATU WAKA MINISTRY OF TRANSPORT