



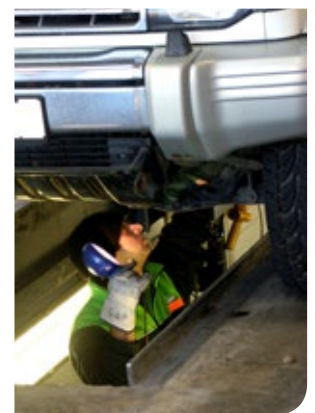
# Vehicle Licensing Reform

- > Annual vehicle licensing
- > Warrant of fitness/certificate of fitness
- > Transport services licensing



## DISCUSSION DOCUMENT SEPTEMBER 2012

Here's your  
chance to have  
**your say**



# CONTENTS

Minister's foreword	2
Purpose	3
What is Vehicle Licensing Reform?	5
<b>WARRANT OF FITNESS (WoF) AND CERTIFICATE OF FITNESS (CoF)</b>	<b>6</b>
Understanding WoF and CoF reform	8
WoF options for change	12
CoF options for change	16
Questions for your submission	19
<b>ANNUAL VEHICLE LICENSING</b>	<b>21</b>
Understanding annual vehicle licensing reform	22
Annual vehicle licensing ideas for change	26
Questions for your submission	27
<b>TRANSPORT SERVICES LICENSING</b>	<b>28</b>
Understanding transport services licensing reform	29
Transport services licensing options for change	31
Questions for your submission	33
<b>APPENDIX ONE: Terms of Reference for Vehicle Licensing Reform</b>	<b>34</b>
<b>APPENDIX TWO: Transport services licensing – outline of the current system</b>	<b>36</b>
<b>APPENDIX THREE: Transport services licensing – licences issued, declined and revoked</b>	<b>37</b>
<b>APPENDIX FOUR: Questions for your submission</b>	<b>38</b>

## MINISTER'S FOREWORD



As a nation of vehicle owners, every six months we find the time and money to get our vehicles inspected and warranted. Once a year, we also need to organise our annual registration label. If we've set up in business as a taxi driver, or truck owner, we've had to apply for a transport services licence.

But a key question for government is can we make these licensing systems simpler and better to save New Zealanders time and money, while still getting the results we want from them, especially where road safety is concerned.

With around 4.2 million vehicles on the road in New Zealand, and over 90 percent of them light vehicles, meeting these requirements adds up to a considerable time and cost burden for householders and businesses and, at times, the government agencies involved.

The systems have been around for decades. While there have been some adjustments to meet changing times, the systems themselves haven't had an in depth look over for some time.

For example, New Zealand has one of the most frequent vehicle inspection regimes in the Organisation for Economic Co-operation and Development. In 2012, is this a reasonable match of risk to regulation? In contrast, countries with better road safety records than ours have lighter inspection requirements. In Victoria, Australia, inspection is linked only to vehicle sale, being brought into the state, or clearing an inspection order. In the UK, inspections are annual.

In the decades that these systems have operated, there have been huge advances in technology. This has radically changed the way we pay for services and interact with organisations. I want to make sure that the 14 million annual transactions generated by our vehicle licensing systems are taking advantage of these smart approaches.

With the idea of change, people have rightly raised the question of road safety. Road safety is a priority for this government. Any changes recommended from vehicle licensing reform must either maintain or improve our road safety outcomes within the context of our Safe System approach. This approach to road safety means working across all elements of the road system (roads, speeds, vehicles and road use) and recognising that everybody has responsibility for road safety. *Safer Journeys*, the government's 2010-2020 road safety strategy, has more information. *Safer Journeys* is available on the Ministry of Transport website – <http://www.transport.govt.nz/saferjourneys/>

To help government make fair and well considered choices for vehicle licensing reform, we need the knowledge of vehicle owners and drivers, and people involved in the transport sector.

The ideas and options for reform presented in this document were developed after analysis and testing. I'd like to know what you support and whether we've missed anything. These are not preferred options; there may be others.

Whether you choose to do the online submission, write a submission, or just answer the questions that apply to you, I welcome and encourage your input.

A handwritten signature in blue ink, appearing to read 'Simon Bridges', written in a cursive style.

**Hon Simon Bridges**  
Associate Minister of Transport

# PURPOSE

Here's your  
chance to have  
**your say**

The purpose of this discussion document is to give you a good understanding of the proposals to reform vehicle licensing. The document provides information to help you make a submission about the reforms.

## How you can have your say

The government wants to find simpler, more efficient ways to run our vehicle licensing systems and save households, businesses and government time and money, while still maintaining road safety.

We need to know what you think about the ideas and options in this document. We'd like to know what you support and whether we've missed anything relating to road safety, or other factors.

The ideas and options for change are set out in this document under three main sections:

- warrant of fitness and certificate of fitness
- annual vehicle licensing (commonly known as registration)
- transport services licensing.

At the end of each section are a brief set of questions on which we'd value your opinion. The questions are to guide your feedback. So that your viewpoint is clearly understood, please give reasons for your answers.

You can either:

1. Do an online submission on the <http://www.transport.govt.nz/ourwork/Land/vehiclelicensingreformconsultation/> and choose which sections you'd like to answer
2. Send us a written submission focusing on the questions in this document that are relevant to you. Please use the submission template available on the <http://www.transport.govt.nz/ourwork/Land/vehiclelicensingreformconsultation/> or in Appendix four of this document.

Please email your written submission to: [vehiclelicensingreform@transport.govt.nz](mailto:vehiclelicensingreform@transport.govt.nz) with the word **Submission** in the subject line.

Or post it to: Vehicle Licensing Reform Submissions, Ministry of Transport, PO Box 3175, Wellington 6140.

**The deadline for submissions is 5pm, Wednesday 31 October, 2012.**

## AT A GLANCE

### What are warrants of fitness and certificates of fitness (commonly known as WoF and CoF)?

Most New Zealand cars, motorcycles, trucks and buses have inspections. By making sure vehicles meet minimum safety standards, warrant of fitness and certificate of fitness inspections are designed to reduce road crashes that result from vehicle defects, and any consequent death or injury. For most private vehicles, inspections are annual up to six years-old and six-monthly after that. For commercial vehicles, such as trucks, buses and taxis, inspections are usually every six months. Inspections are carried out by private inspection organisations, including many local garages.

### What is annual vehicle licensing (commonly known as registration)?

Annual vehicle licensing is mostly for revenue collection. The largest amount of the annual licensing fee goes to the ACC motor vehicle account. The rest contributes to the National Land Transport Fund which pays for the building of roads, road safety initiatives and public transport. A small amount goes to the NZ Transport Agency to administer the annual vehicle licensing system and to develop safety and other standards for vehicles. Annual vehicle licensing payments also make sure the motor vehicle register keeps up-to-date, which helps with road safety enforcement.

### What is transport services licensing?

Transport services licensing controls who can be part of various transport services. Individuals and companies must get and hold a transport service licence if they operate vehicles used in heavy goods services, passenger services (such as buses and taxis), rental or tow services. The main purpose of the system is to support road safety, although passenger and driver safety is an issue for some transport services. To be licensed, operators generally must meet a 'fit and proper person' standard and have knowledge of transport law and practice.

## **How will your responses and submissions be used?**

The Vehicle Licensing Reform project is run by the Ministry of Transport and the NZ Transport Agency.

The joint project team will consider your response and those of others from the public and transport sector in developing recommendations for Vehicle Licensing Reform, which will go forward to government.

Proposed changes to legislation, including transport rules and regulations, will need to follow processes that will allow further opportunity for public consultation.

A summary of submissions will be published on the Vehicle Licensing Reform page on <http://www.transport.govt.nz/ourwork/Land/vehiclelicensingreformconsultation/>.

### **Confidentiality**

Your responses and submissions on this discussion document will be subject to the Official Information Act 1982. The Act requires government agencies to make information available, if asked, unless there is good reason to withhold it.

If you do not want anything released, you need to let us know what material you want to be withheld and why. Under the Act, the decision on whether to release or withhold any material rests with the Ministry of Transport in consultation with the NZ Transport Agency. Any decision to withhold information can be appealed to the Ombudsman.



# WHAT IS VEHICLE LICENSING REFORM?

Vehicle Licensing Reform is looking at:

- the warrant of fitness and certificate of fitness systems
- the annual vehicle licensing (commonly known as registration) system
- the transport services licensing system.

Vehicle Licensing Reform aims to save New Zealanders both time and money, while supporting the government's commitment to road safety.

We can get this result from having more efficient and smarter systems to collect revenue, inspect our vehicle fleet and by only licensing the sectors that need it.

The project is considering what the three systems cover and why they are there. The review is not considering:

- the vehicle register that links vehicles to registered owners
- the driver licensing system – apart from changes that flow on to either system as a result of the review.

There will be changes to warrant of fitness requirements for agricultural vehicles following a recent review of transport law applying to those vehicles. Vehicle Licensing Reform will not affect those changes.

For the full list of Vehicle Licensing Reform objectives, and what is and is not included, see the [http://www.transport.govt.nz/ourwork/Land/Documents/Vehicle Licensing Reform Terms of Reference.pdf](http://www.transport.govt.nz/ourwork/Land/Documents/Vehicle%20Licensing%20Reform%20Terms%20of%20Reference.pdf) available on the Ministry of Transport website or at Appendix one of this document.

## Why is reform needed?

Transport regulation affects New Zealand's economic growth. Because transport makes up about five percent of our Gross Domestic Product, even small improvements in transport regulation can have significant benefits for households and businesses over time.

Removing unnecessary red tape, and creating smarter ways of doing things can help open the door for innovative ideas, and promote economic growth.

The three vehicle licensing systems put considerable burdens and costs on households, businesses and, at times, the government agencies involved.

The systems have been in place for decades. For example, the warrant of fitness system began life in 1937. Transport services licensing has been around in one form or another since the 1930s and annual vehicle licensing since the 1900s.

But why are the systems there and do they actually achieve what they were put in place to do? Can we find simpler and more efficient ways to run the systems? Is our regulation well matched to the level of road safety risk in New Zealand?

New technology, and new methods and incentives for payment are now available. We want to make sure that Vehicle Licensing takes advantage of the smartest techniques available to make licensing easier for people and businesses and better value for money.

Vehicle Licensing Reform is focused on exploring opportunities to lower compliance costs while maintaining or improving road safety within the context of a Safe System. The Safe System approach, adopted by New Zealand's road safety strategy 2010-2020, means working across all elements of the road system (roads, speeds, vehicles and road use) and recognises that everybody has responsibility for road safety. (To find out more about Road Safety read the *Safer Journeys* strategy available on the Ministry of Transport website).

By having your say on Vehicle Licensing Reform, you can help shape any changes.

# WARRANT OF FITNESS (WoF) AND CERTIFICATE OF FITNESS (CoF)

## SUMMARY OF WoF AND CoF OPTIONS

Most New Zealand cars, motorcycles, trucks and buses have regular vehicle inspections. By making sure vehicles meet minimum safety standards, WoF and CoF inspections are designed to reduce road crashes that result from vehicle defects, and any consequent death or injury. For most private vehicles, inspections are annual up to six years-old and then six-monthly after that. Inspections are carried out by private inspection organisations, including many local garages. For commercial vehicles, such as trucks, buses and taxis, inspections are usually every six months.

Changes are only proposed if it would help save people time and money, while maintaining similar or improved safety and environmental outcomes. A way to test this is to look at combinations of different measures and estimate what the potential impacts might be. The options set out below attempt to do this. The measures considered include inspection rigour, the frequency of inspection, enforcement, and advice and information.

### WoF options

#### **Option one: yearly inspections for vehicles up to 12 years-old, six-monthly thereafter, with measures to encourage safe vehicles**

- Annual inspections for vehicles up to 12 years-old, with six-monthly inspections thereafter
- Information and advice programme
- Changes to how vehicle infringements are dealt with
- Introduction of demerit points for operating an unsafe vehicle

#### **Option two: first inspection at three years, annual thereafter, improved test, with measures to encourage safe vehicles**

- Improved test for all vehicles
- First inspection at three years of age, with annual inspections thereafter
- Information and advice programme
- Greater use of compliance technology
- Better targeted compliance and enforcement activities
- Changes to how vehicle infringements are dealt with
- Introduction of demerit points for operating an unsafe vehicle

#### **Option three: inspection based on distance travelled, with measures to encourage safe vehicles**

- Improved test for all vehicles
- First inspection at 50,000km, then every 12,000km thereafter
- A default inspection for vehicles that have not had an inspection within three years
- Information and advice programme
- Increased and better targeted compliance and enforcement activities
- Changes to how vehicle infringements are dealt with
- Introduction of demerit points for operating an unsafe vehicle

## **Option four: inspections on change of ownership with measures to encourage safe vehicles**

- Improved test for all vehicles
- No periodic inspection
- Inspection at change of ownership or if required following an inspection order
- More comprehensive information and advice programme
- Increased and better targeted enforcement and compliance
- Improvements to how we deal with vehicle infringements
- Introduction of demerit points for operating an unsafe vehicle

## **CoF options**

### **Option one: variable frequency with six-monthly inspections as default and greater flexibility in inspection services**

- Greater flexibility in how certification services are provided
- Variable inspection frequency from three to 12 months, with a six-month default frequency
- Information and advice programme

### **Option two: variable frequency with 12-monthly inspections as default and greater choice over inspection services**

- Greater inspection choice, such as:
  - > testing across a greater range of sites
  - > testing by a wider range of organisations
- Variable inspection frequency from three to 12 months, with a 12-month default frequency
- Information and advice programme
- Greater use of compliance technology
- Increased and better targeted compliance and enforcement

### **Option three: alternative accreditation**

- Alternative accreditation (this could work alongside CoF Options one or two, or the existing system)
- Information and advice programme
- Auditing regime



## UNDERSTANDING WoF AND CoF REFORM

The following section discusses in more detail the ideas behind reforming the WoF and CoF systems and sets out the potential gains and risks of each option.

### What is a WoF or CoF check?

WoF and CoF inspections are used to regulate the safety standard of New Zealand's vehicle fleet. The inspections provide a consistent minimum safety check across the vehicle fleet. The WoF and CoF systems are well understood by most New Zealanders. The system is intended to meet the following objectives:

- helping to make sure vehicles operate within minimum safety and environmental standards
- giving the public confidence that vehicles are safe
- providing data for use in the road user charges system, the planned Operator Rating System<sup>1</sup> and road safety and other research
- helping owners to decide when vehicles have reached a point when they should be scrapped because it has become uneconomic to maintain them to minimum safety standards
- providing a minimum level of consumer protection at time of sale.

Light vehicles, for example, cars, vans, motorcycles and trailers, must have a warrant of fitness (WoF) to be used on the road. Warrants and certificates of fitness labels are evidence that a vehicle has been inspected by a mechanic and, at the time of the inspection, met the minimum safety standard.

There are around 4.2 million vehicles on New Zealand's roads and a little over 90 percent of these are light vehicles (eg cars and vans).

The condition of a vehicle can sometimes cause crashes; for example, bald tyres might cause a vehicle to lose control or fail to stop safely. Vehicle factors can also help avoid crashes; for example, properly maintained ABS brakes can allow the driver of a vehicle to retain control and avoid a collision. Vehicle factors, such as properly

compliant airbags or crumple zones, can also help the occupants of a vehicle survive a crash.

At an average age of 13 years in 2011, New Zealand has one of the oldest light vehicle fleets in the developed world, and it will get older. Because of better rust prevention techniques and improved mechanical reliability most countries have aging vehicle fleets. As vehicles get older, however, they usually travel less distance. Analysis shows the percentage of cars involved in fatal and injury crashes with safety defects, which could be expected to be found in a WoF inspection, starts to increase at around year 12.

### AT A GLANCE

#### Estimates of costs and benefits in this document

This discussion document has estimates of costs which are used to describe issues and help inform debate. In some areas, there are also estimates of the potential benefits of changes, which are based on the best available information at this time. Estimates of costs and benefits might be modified as new information becomes available, for example, arising from this consultation process. It is unlikely any new information will surface that changes the relative merits or ranking of options in terms of their respective costs and benefits.

<sup>1</sup> The operators of heavy vehicles that require a COF will be subject to the Operator Rating System (ORS), which gives operators a star rating, based on compliance and safety. The first ORS provisional ratings are planned to be published in 2013.

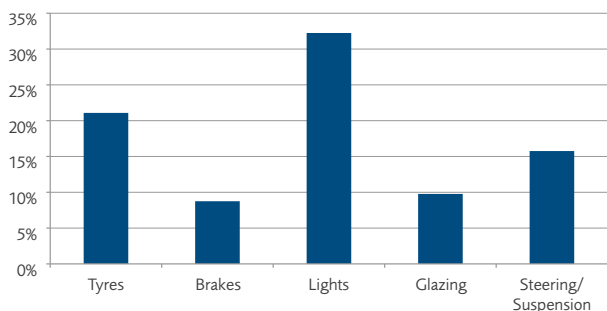
### WoF

WoF inspections are annual for vehicles up to the age of six years and six-monthly thereafter.

Around 5.5 million WoF inspections are carried out each year (excluding re-inspections). Around \$245 million each year is paid in WoF inspection fees and around \$100 million in time is spent on getting a WoF <sup>2</sup>.

The main faults resulting in WoF failures are defective lights, tyres, steering and suspension, glazing (eg windscreens) and brakes. As vehicles age, the chances of them failing a WoF inspection increases although they are used on the road less often.

Percentage of failed WoF by faults



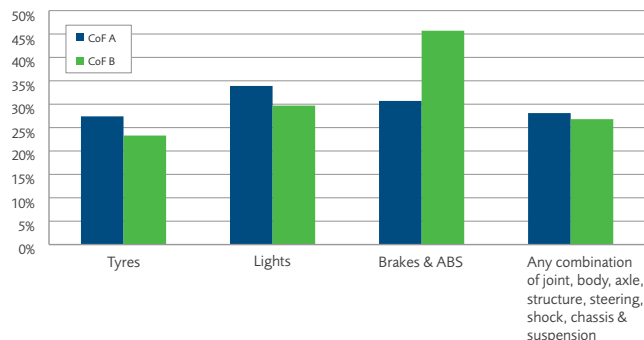
(NB: data should not be added together as some vehicles have multiple faults)

### CoF

Heavy vehicles, and light vehicles operated in a transport service (such as taxis), are inspected for a CoF. Vehicles are usually inspected for a CoF every six months to make sure their condition and equipment meet safety standards (except new rental cars, which get their first certificate issued for 12 months). Two types of CoF are issued. If they operate under a transport service licence, vehicles with a gross vehicle mass of 3500kg or less must get a CoF A. Vehicles with a gross vehicle mass of more than 3500kg must get a CoF B.

Around 365,000 CoF inspections are carried out each year (excluding re-inspections). Around \$40 million is paid in CoF inspection fees and around \$20 million in time is spent getting a CoF <sup>3</sup>.

Percentage of failed CoF by faults



(NB: data should not be added together as some vehicles have multiple faults)

<sup>2</sup> The cost of obtaining a warrant of fitness varies considerably between providers, who set the price for an inspection. We have taken an estimated warrant of fitness cost of \$44. Re-inspections are not included.

<sup>3</sup> The cost of obtaining a certificate of fitness varies considerably between providers, who set the price for an inspection, and between CoF A and CoF B. Re-inspections are not included.

## Why reform the WoF and CoF systems?

In the future, the WoF and CoF systems should:

- result in safe vehicles without unnecessary cost
- be easy to comply with, better targeted to risk and represent value for money
- promote responsible and safe vehicle maintenance by owners and drivers
- give people, especially those buying vehicles, a reliable indicator of basic vehicle safety
- provide sound data for the motor vehicle register, road user charges, the planned Operator Rating System and road safety.

New Zealand's vehicle safety inspection system may not deliver the best balance between cost, safety and other benefits.

Based on our work so far, the following areas have potential for improvement.

- Inspection rigour, frequency, and compliance and enforcement effort could be better matched to the risk of vehicles developing faults and vehicle maintenance cycles. Are we testing vehicles more frequently than is justified by the safety risk? The frequency of inspection for our light vehicle fleet is higher than most other OECD countries, and it is unclear whether we have markedly fewer crashes caused by vehicle faults.
- Non-compliance with vehicle safety standards could be reduced. At any point in time, a large number of vehicles do not have a current WoF or CoF or are driven while not meeting minimum vehicle standards (for example, with bald tyres). There may be several reasons for this, including people being late getting their vehicle checked or forgetting altogether, being unable to afford repairs, or not understanding or caring about their obligations. There is an opportunity to improve compliance by making it easier and better value for money.
- Vehicle maintenance could be improved. Vehicle owners may rely too much on having a WoF or CoF instead of keeping their vehicles in a safe condition on an ongoing basis. Vehicle owners could be encouraged to maintain the safety of their vehicles between inspections. Targeted advertising, information and advice could be better used to encourage safe behaviour, especially if this is focused on high risk faults such as defective tyres, lights, windscreens and modifications.

- The inspection system for heavy and commercial vehicles may be too one-size-fits-all. It may not sufficiently account for different vehicle types and operations. Allowing a more flexible system, possibly with variable inspection periods and alternative accreditation for approved operators could save time and money for operators and perhaps allow improvements in productivity.

## Keeping vehicles safe and reducing costs

### WoF

We have identified that savings in time and money are available from changing how often vehicles have WoF checks. These savings would benefit motorists the most because they would pay for fewer inspections and spend less time getting inspections. Potential savings range from around \$60 million per year to around \$240 million per year from reforming the current system.

It can be difficult to determine whether vehicle faults have contributed to a crash, or its severity. Based on traffic crash reports in New Zealand, the types of vehicle safety defects that are detected during a WoF inspection are cited as contributing factors to about six percent of fatal crashes and 2.5 percent of all fatal and injury crashes. However, in around only 0.5 percent of all injury and fatal crashes are such defects cited as the 'sole' cause of the crash. Potential under-reporting of the contribution of vehicle faults to injury crashes will be taken into account in the final safety analysis.

Our preliminary safety analysis shows less frequent vehicle inspections may increase the risk of a crash if no other action is taken or people don't change their vehicle servicing habits. Safe vehicles can be achieved using different measures and combinations of measures, for example, the rigour and frequency of the test, information and advice for the public or targeted enforcement. All of the options proposed in this discussion document use one or more of these measures to address any increase in crash risk. For the WoF options, the potential percentage increase in the total cost of road crashes from changing frequency alone is small, ranging from 0.2 percent to 1.6 percent.

## CoF

Discussions with industry stakeholders indicate that much of the cost associated with getting a CoF arises from the time that a vehicle is out of service. Around \$60 million in time and direct charges is spent on CoF inspections each year. How much could be saved would depend on the degree of reform.

Currently, there are restrictions on inspecting organisations. For example, at present, the only approved CoF inspecting organisations that issue CoFs are: Vehicle Testing New Zealand, Vehicle Inspection New Zealand and the New Zealand Automobile Association.

These inspecting organisations do not repair vehicles and there are limitations on where inspections take place. In addition to travelling to an inspection site to get a CoF inspection, if faults are found then the vehicle must travel to a service provider to have repairs before returning to the inspecting site for re-inspection. For all of this time, the vehicle is out of service. There may be opportunities to create greater choice for vehicle owners and operators, reducing the time taken to get a CoF.

A feature of the current CoF system is the relatively high degree of independence in the inspection system. There is a value associated with this independence, particularly in the commercial environment in which heavy and commercial vehicles operate. There is potential for any changes to reduce or remove this independence, so any change would need to be properly managed, for example, through auditing or other conditions.

Ideas that are being explored include approving inspecting organisations to do inspections at a wider range of locations, including at an operator or service provider's premises, and having a greater range of inspection providers. This would depend on the operator or service provider having the testing equipment and facilities needed for inspections.

An alternative accreditation scheme could be introduced allowing approved operators to manage their own ongoing compliance. They could do this through a recognised performance management system, or contract out to approved servicing agents, subject to auditing processes. Under this approach, there would be savings to accredited operators as their vehicles would not have to go through separate CoF inspections.

We are also exploring whether vehicles subject to the CoF A system, such as rental vehicles or taxis, could be subject to, or share the same inspection frequency as, the WoF system, given the vehicles under each system are similar. The key issue is whether the commercial use

of these vehicles means a different system is necessary. Matching CoF A rental vehicle inspection to WoF frequency, or simply moving rental vehicles to a WoF, might be sensible. Alternatively, a rental vehicle operator may meet the requirements to be an accredited operator and not need to undergo periodic inspections. These issues will be further explored depending on what, if any, changes to the WoF system are proposed.

## Options excluded

- **Doing away with vehicle inspections altogether** - although there is value in exploring the frequency of inspection, the analysis, so far, shows that the cost measured in increased crashes from abolishing vehicle inspection completely would, at this time, outweigh the benefits.
- **Requiring heavy and commercial vehicle inspection based on the distance (mileage) the vehicle has travelled** - the system may be easier to administer for the heavy vehicle fleet because mileage is recorded for the purposes of the road user charges system. However, commercial vehicles are used for many different purposes with various effects on critical safety components. An urban refuse truck, for example, may travel substantially less distance than a long-haul truck but, with frequent starts and stops under heavy load, its brakes and other components would be subject to greater wear and tear. There do not seem to be any international examples of inspection systems based solely on vehicle mileage.

## WoF OPTIONS FOR CHANGE

Changes will only be proposed if they would save people time and money, while maintaining similar or improved safety and environmental outcomes. A way to test this is to look at combinations of the different measures and estimate what the potential impacts might be. The options set out below attempt to do this, and are not final or preferred options. They are intended to show how the various measures can be combined, and they could be combined in different ways to those shown here. The measures include inspection rigour, the frequency of inspection, enforcement and advice and information.

### Option one: yearly inspections for vehicles up to 12 years-old, six-monthly thereafter, with measures to encourage safe vehicles

- Annual inspections for vehicles up to 12 years-old, with six monthly inspections thereafter
- Information and advice programme
- Changes to how vehicle infringements are dealt with
- Introduction of demerit points for operating an unsafe vehicle

### Potential gains

Under this option there could be savings in time and charges for motorists in the range of \$45 to \$70 million per year. Most of these savings would come from vehicles aged between six and 12 years because they would require an annual inspection rather than a six-monthly inspection.

Crash data from 2006 to 2011 shows the proportion of vehicles with faults that would fail a WoF starts to increase more steeply when a vehicle is about 12 years old. This option manages this increased risk by continuing with six-monthly inspections for vehicles over 12 years of age. This cut-off could be re-assessed in five years to see if changes in vehicle technology and quality have improved the condition of older cars to a point that this is not needed.

This option would also involve improving the enforcement regime by, for example, the Police and local authorities giving motorists with slightly overdue WoFs a chance to avoid a penalty by passing an inspection. For example, if a vehicle receives a WoF within the grace period, the penalty would be waived. Changing how WoF infringements are dealt with could encourage spending on maintenance rather than fees and fines. This would benefit motorists who were a little overdue for their WoFs, and reduce the number of fines going through the justice system. There would need to be some restrictions to stop people taking advantage of the grace period.

### Potential risks

There would be an increase in costs<sup>4</sup> of crashes in the range of \$3 to \$8 million per year from changing the frequency of inspection for vehicles aged between six and 12 years. Under this option, this risk could be countered through a comprehensive information and advice programme and changes to enforcement, such as introducing demerit points.

Because about half of the vehicle fleet is over 12 years-old, many motorists would see little change, nor receive any benefits, from this option. A limited number of motorists would enjoy reduced costs.

Measures to counter potential increases in risk would need to be fully scoped and would all come at a cost. This cost has not been fully assessed yet but it would be modest.

Because the number of inspections for vehicles aged between six and 12 years would decrease under this option, there could be impacts on businesses providing inspection services located throughout the country.

The competitive vehicle repairs and service market would need to adjust to this decreased demand. This could be by way of rationalisation of sites, merger of businesses, staff lay-offs or offering other services to customers to offset lost revenues.

If the repairs and service industry adjustments led to closure of sites in areas where there are few providers of inspection services, this might lead to increased costs for households and businesses from having to travel longer distances. These risks are being examined further as part of the on-going analysis.

<sup>4</sup> Social cost of road crash or road injury is a measure of the total cost that occurs as the result of the crash or injury. It includes loss of life and life quality, loss of output, medical costs, legal costs and property damage costs. For details about social cost, please refer to "The Social Cost of Road Crashes and Injuries: 2011 update" on the Ministry of Transport's website <http://www.transport.govt.nz>

### Option two: first inspection at three years, annual thereafter, improved test, with measures to encourage safe vehicles

- Improved test for all vehicles
- First inspection at three years of age, with annual inspections thereafter
- Information and advice programme
- Greater use of compliance technology
- Better targeted compliance and enforcement activities
- Changes to how vehicle infringements are dealt with
- Introduction of demerit points for operating an unsafe vehicle

#### Potential gains

There could be savings in time and charges in the range of \$125 to \$185 million per year under this option. Most of these savings would come from people not having to spend time and money on six-monthly WoF inspections.

Having the first inspection at three years would reflect that new vehicles are usually sold with a 100,000km warranty that includes servicing. A three-year interval before the first in-service inspection for new cars is common internationally, for example, in the United Kingdom, Japan, Germany and most European countries.

Some unnecessary inspections could be avoided under this option. For example, in 2011, the average warrant of fitness failure rate for cars and vans under three years of age was only around 7.9 percent.

Another benefit of this option is an improved test. The current test may not be sufficiently rigorous in some areas, while being too rigorous in others. An improved test could also include suspension performance testing, a check of any advanced safety systems that are fitted, such as electronic stability control, and enhanced brake testing.

To prevent unnecessary repair costs, we need to be confident that a more rigorous inspection test is justified by the safety risk. Careful thought would need to be given to how this could be implemented. Possible cost increases would have to be considered as well as whether additional training for inspectors would be needed. The advantage of this change is it could better match inspection time and cost to risk.

#### Potential risks

There would be an increase in costs of crashes in the range of \$10 to \$25 million per year from changing the inspection frequency under this option. This could be countered through a comprehensive information and advice programme, better targeted enforcement with greater use of compliance technology such as automatic number plate recognition, and other changes to enforcement such as introducing demerit points. Counter-measures would need to address the increase in risk for vehicles over 12 years.

Measures to counter risk need to be considered and scoped, and would all come at a cost.

The overall number of vehicle inspections would significantly decrease under this option compared to Option one. As a result, there would be larger impact on businesses providing inspection services.



### **Option three: inspection based on distance travelled, with measures to encourage safe vehicles**

- Improved test for all vehicles
- First inspection at 50,000km, then every 12,000km thereafter
- A default inspection for vehicles that have not had an inspection within three years
- Information and advice programme
- Increased and better targeted compliance and enforcement activities
- Changes to how vehicle infringements are dealt with
- Introduction of demerit points for operating an unsafe vehicle

#### **Potential gains**

There could be savings in time and charges in the range of \$130 to \$190 million per year under this option, which is about the same as Option two. These estimates are based on the assumption that people will comply with this option to the same degree that they would for the other options, which needs to be tested further.

Most of these savings would come from people not having to spend time and money on six-monthly WoF inspections. Vehicles that travel less than average distances would see larger savings. Alternatively, vehicles that travel high kilometres each year could have increased inspection frequencies.

Having the first inspection at 50,000km reflects that new vehicles are usually sold with a minimum 100,000km/three year warranty that includes vehicle servicing. Setting the first inspection at 50,000km recognises that many vehicles do not travel 100,000km in three years. The 12,000km inspection distance is based on the average distance travelled by the New Zealand light vehicle fleet each year. This distance also roughly matches the average servicing interval recommended by many manufacturers.

#### **Potential risks**

There could be an increase in costs of crashes in the range of \$10 to \$25 million per year under this option, which is about the same as Option two. This could be countered through a comprehensive information and advice programme, increased and better targeted enforcement, and other changes to enforcement such as introducing demerit points. Such measures need to be considered and scoped, and would all come at a cost.

Further work is needed on how enforceable an inspection system based on a distance travelled approach would be, so the costs of enforcing this option have yet to be estimated.

We are not aware of other jurisdictions using distance travelled to establish vehicle inspection frequencies. A system based on distance could be difficult to administer and enforce. There is currently no way for authorities to know when a distance-based inspection is due or for an enforcement officer to know when a moving vehicle has exceeded the distance it is permitted to travel between inspections. There is also no reliable mechanism for sending inspection reminders to vehicle owners.

Vehicles over 12 years-old have an increased risk of faults. While older vehicles on average travel less distance each year, they potentially have components that are deteriorating faster. Many vehicle components deteriorate over time irrespective of use. Inspection based on distance may present an increased safety risk for older vehicles. For vehicles that travel very short distances and never reach the threshold for inspection, this risk would be mitigated by the default inspection for vehicles that have not had an inspection within three years.

The overall number of vehicle inspections could significantly decrease under this option compared to Option one. There would be a larger impact on businesses providing inspection services than under Option one.

#### Option four: inspection on change of ownership, with measures to encourage safe vehicles

- Improved test for all vehicles
- No periodic inspection
- Inspection at change of ownership only or if required following an inspection order
- More comprehensive information and advice programme
- Increased and better targeted enforcement and compliance
- Changes to how vehicle infringements are dealt with
- Introduction of demerit points for operating an unsafe vehicle

#### Potential gains

Vehicles would only have to have a WoF inspection on change of ownership or if Police issued an inspection order. Of the suggested options, there could be the most savings in time and charges for motorists, in the range of \$185 to \$275 million per year. Most of these savings would come from people not having to spend time and money on regular WoF inspections. Around one million new and used vehicles are sold each year in New Zealand.

#### Potential risks

This option would mean the largest change from how we carry out vehicle inspections now. There would need to be a significant change in the way that motorists think about the safety of their vehicles, as independent safety checks would not be mandatory.

There would be an increase in costs of crashes in the range of \$35 to \$90 million per year from changing the inspection frequency under this option. This risk could be countered through a more comprehensive information and advice programme, increased enforcement, changes to how vehicle infringements are dealt with and the introduction of demerit points. The key measure would be moving to an on-road enforcement system (as exists in other countries that have inspections at change of ownership only).

Of the three options, this option involves the largest increase in safety risk so it would require a larger investment for measures to counter the increased risk. Also, an increase in on-road enforcement may require re-examining how on-road enforcement is managed and resourced.

Ownership turnover means that most vehicles will get an inspection every two or three years under this option. However, some vehicles may not change ownership that often, meaning a less frequent inspection than most other vehicles. This could be mitigated by, for example, a compulsory check for all vehicles of a certain age.

The increase in risk for vehicles over 12 years would not be directly addressed although advice and information programmes and enforcement could be more targeted at the owners of these vehicles.

This option would need a phased introduction. Moving to much greater on-road enforcement would also mean reconsidering how on-road enforcement is managed and resourced. For example, some unsafe vehicles might not be easily identified without regular inspections of all vehicles.

Because the overall number of vehicle inspections could significantly decrease under this option, there could be much greater impacts on the inspection industry than might occur under WoF Options one, two, and three.

## CoF OPTIONS FOR CHANGE

The following options package elements of inspection frequency, inspection services (such as where testing can be done and who can do it), and compliance and enforcement activities. The options are not mutually exclusive. One or more of these options (or elements of the options) could be combined together or phased in over time. The options are not final or preferred options.

### Option one: variable frequency with six-monthly inspections as default and flexibility in inspection services

- Greater flexibility in how certification services are provided
- Variable inspection frequency from three to 12 months, with a six-month default frequency
- Information and advice programme

#### Potential gains

Greater flexibility in how certification services are provided could help vehicle owners and operators to save costs by reducing the time taken to get a CoF. If a minor fault is picked up during an inspection, an inspecting organisation could issue a CoF on the proviso that an operator gets that minor fault fixed (for example by verifying to the inspecting organisation that the fault has been fixed within a certain time period). Another idea could be to have inspecting organisations repair minor faults where practicable.

Greater use of variable inspection frequencies would move away from a one-size-fits-all approach and allow better targeting to risk<sup>5</sup>. A further benefit is the potential to give vehicle operators an incentive to improve their safety record. A vehicle operator, for example, who has a really good safety record and meets appropriate servicing requirements, could be put on a 12-month inspection frequency. On the other hand, a very poor safety record could result in inspections as often as every three months. Other criteria could be applied to transport operators with light vehicles such as taxis.

#### Potential risks

A feature of the current CoF regime is the relatively high degree of independence in the inspection system. This option could reduce or remove this independence and this could affect the quality of the testing process unless properly managed, for example, through appropriate auditing or other conditions.

Measuring the economic impact of making greater use of variable frequencies for CoF is difficult. At this stage, we expect that the cost and safety impacts would be small, as only safer operators would get a longer inspection frequency. There would need to be clear processes and guidelines setting out how to apply and what should be taken into account when considering whether to put an operator on a different inspection frequency. There would also need to be appropriate monitoring of these operators, and procedures in place to put them back on six-monthly inspections if warranted.

Estimating potential changes in safety risk is difficult because the number of crashes involving CoF vehicles with vehicle defects is very low.

There would be costs associated with an information and advice programme. Any changes to the frequency of vehicle inspections could also have an impact on the business of inspection providers. If the default inspection frequency remained at six months and broadly equal numbers of operators moved to more and less frequent inspections the effect could be neutral.

Potential impacts on the operation of the planned Operator Rating System will also need to be assessed. Greater use of variable inspection periods could require adjustments to how ratings are calculated.

<sup>5</sup> The NZ Transport Agency currently has the discretion to put operators on inspection frequencies from three to nine months. This discretionary inspection range has been rarely used because of information technology system constraints. This system is due to be upgraded.

### Option two: variable frequency with 12-monthly inspections as default and greater choice over inspection services

- Greater inspection choice, such as:
  - > testing across a greater range of sites
  - > testing by a wider range of organisations
- Variable inspection frequency from three to 12 months, with a 12-month default frequency
- Information and advice programme
- Greater use of compliance technology
- Increased and better targeted compliance and enforcement

#### Potential gains

Greater choice for vehicle owners and operators over inspection could reduce the time taken to get a CoF. This would help them to save costs.

Under this option the default frequency would be 12 months with more frequent inspections applied to poor performing operators. This approach provides benefits for most operators while those who perform poorly would be inspected more often. Annual inspection is common internationally for heavy and commercial vehicles.

#### Potential risks

A feature of the current CoF regime is the relatively high degree of independence in the inspection system. This option could reduce or remove this independence and this could affect the quality of the testing process unless properly managed, for example, through appropriate auditing or other conditions.

Estimating potential changes in safety risk is difficult because the number of crashes involving CoF vehicles with vehicle defects is very low. Nonetheless, we expect moving most heavy and commercial vehicles to 12 month inspections would require additional measures to counter any increased safety risk.

Potential increases in safety risk could be countered by:

- Targeted information and advice programme encouraging better and ongoing maintenance of commercial vehicles by their owners and operators
- Greater use of compliance technology: there are a number of technologies available and already in limited use in New Zealand that could make it simpler to identify non-compliant vehicles (see, for example, the information in WoF Option two)

- On-road enforcement activities could increase and compliance activities could be better targeted to vehicle parts that have a higher risk of failing between inspections.

There would be costs associated with measures like an information and advice programme, greater use of compliance technology, and increased and better targeted compliance and enforcement activities. If the amount or focus of police activities changes, there may be an associated cost that requires re-examining how on-road enforcement of heavy and commercial vehicle compliance is managed and resourced.

Changes to the frequency of most heavy and commercial vehicle inspections would have an impact on the business of inspection providers. If the default inspection frequency was extended to 12 months this may be significant, though this will need to be considered in the context of other inspection changes.

These impacts would come on top of those from greater inspection choice for owners of vehicles with CoFs, meaning the impacts would be more than those under Option one. Site rationalisation, business mergers or staff redundancies could result. Closure of sites in areas where there are few providers of inspection services might lead to increased costs for households and businesses from having to travel longer distances. These risks are being examined further as part of the on-going analysis.

Potential impacts on the operation of the planned Operator Rating System will also need to be assessed. Greater use of variable inspection periods could require adjustments to how ratings are calculated.

### **Option three: alternative accreditation**

- Alternative accreditation (this could work alongside CoF Options one or two, or the existing system)
- Information and advice programme
- Auditing regime

### **Potential gains**

Under this option, accredited operators would be able to save costs by bundling vehicle checks with vehicle servicing.

### **Potential risks**

The potential uptake of an alternative accreditation option for CoF A and B vehicles is unknown. If a large number of vehicle operators became accredited this could affect the viability of existing inspection businesses, particularly given the low number of those businesses, and result in a different distribution of costs that could affect inspection charges.

Alternative accreditation would need to be designed and monitored to make sure it delivers similar or improved safety and environmental outcomes.

There could be additional management and auditing costs associated with accreditation.

Potential impacts on the operation of the planned Operator Rating System will also need to be assessed. Alternative accreditation could require adjustments to how ratings are calculated.



## QUESTIONS FOR YOUR SUBMISSION

### Warrant of fitness

1. What do you think is the best option for warrant of fitness reform?
  - Option one:** yearly inspections for all vehicles up to 12 years-old, six-monthly thereafter, with measures to encourage safe vehicles
  - Option two:** first inspection at three years, annual thereafter, improved test, with measures to encourage safe vehicles
  - Option three:** inspection based on distance travelled, with measures to encourage safe vehicles
  - Option four:** inspections only on change of ownership, with measures to encourage safe vehicles
  - Some other package** - please describe

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2. Why have you chosen this option?

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3. Are there any issues for warrant of fitness, which we have not identified?

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(A full submission form is available at Appendix four)



## Certificate of fitness

1. What do you think is the best option(s) for certificate of fitness reform?

- Option one:** variable frequency with six-monthly inspections as default and greater flexibility in inspection services
- Option two:** variable frequency with 12-monthly inspections as default and greater choice over inspection services
- Option three:** alternative accreditation
- Some other package** – please describe

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2. Why have you chosen this option?

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3. Are there any issues we have not identified for CoF A (heavy vehicles) and CoF B (other commercial vehicles)?

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(A full submission form is available at Appendix four)

# ANNUAL VEHICLE LICENSING

## Annual Vehicle Licensing

### Summary of ideas for annual vehicle licensing (commonly known as registration)

Annual vehicle licensing has multiple purposes. The data the system provides helps to efficiently link a vehicle with the person responsible for it. Annual vehicle licensing also collects revenue. The largest amount of the revenue collected goes to the ACC motor vehicle account. The rest contributes to the building and maintenance of roads, road safety initiatives and public transport through the National Land Transport Programme. A small amount goes to the NZ Transport Agency to administer the annual vehicle licensing system and for vehicle standards development. Annual vehicle licensing payments also make sure the Motor Vehicle Register keeps up to date, which helps with road safety enforcement.

A number of significant improvements have been proposed that are likely to reduce compliance costs and provide greater flexibility to meet current and future government direction. These changes consider the need to maintain the link between the person responsible for the vehicle and the vehicle, as well as the annual vehicle licensing system's many purposes.

#### Ideas for improving the annual vehicle licensing system

- Direct debit payment option to increase convenience for customers
- Allow fleet and multiple vehicle owners to manage all their vehicles through one account
- Improved communication such as email and text messages to remind about payment
- Early payment incentives and late payment penalties
- Remove some vehicles from the system that do not need to be licensed
- Change or remove the licensing label
- Focus on issuing infringement notices when it is clear that a vehicle owner has not paid the licence fee, rather than where, for example, a licence label has been displayed incorrectly

## UNDERSTANDING ANNUAL VEHICLE LICENSING REFORM

The following section discusses in more detail the ideas to improve the annual vehicle licensing system and sets out the potential gains and risks of these ideas.

### What is annual vehicle licensing?

Annual vehicle licensing has multiple purposes. The data the system provides helps to efficiently link a vehicle to the person responsible for it. This contributes to the safety of our roads by making sure driving offences can be enforced.

The annual vehicle licensing system also collects revenue. It collects transport revenue and supports ACC's motor vehicle account by collecting levies. Most of the annual vehicle licensing revenue collected goes to the ACC motor vehicle account, around \$682 million in the 2011 financial year. This account provides injury cover for all people injured on our roads, and also pays for some road safety programmes. As well, around \$150 million each year pays for transport initiatives such as road improvements and maintenance, road safety initiatives and public transport through the National Land Transport Programme.

When looking at options for improving the annual vehicle licensing system we need to keep in mind the system's many purposes, including collecting the ACC motor vehicle account levy. Currently the system is largely based on a one-size-fits-all approach, which may not meet future requirements. As part of the government's road safety strategy *Safer Journeys*, ACC is tasked with looking at incentives to improve road safety outcomes and is considering the benefits of using differentiated levies as a way to encourage safer choices<sup>6</sup>. ACC, the Ministry of Business, Innovation and Employment, the Ministry of Transport and the NZ Transport Agency are working together to further this investigation.

Several options were investigated to improve the annual vehicle licensing system, some of which would involve fundamental reform to the system. Because of the ACC incentives work, these options for fundamental reform are not being considered at this time. Instead, this document proposes a number of significant improvements to reduce compliance costs and provide greater flexibility to meet current and future government direction. Any changes

need to be an improvement on the current system and maintain the link between the person responsible for the vehicle and the vehicle. The Ministry of Transport and the NZ Transport Agency are working with ACC and the Minister of Business, Innovation and Employment to make sure that any changes we propose to the current system will also complement their needs.

### Why reform annual vehicle licensing?

The annual vehicle licensing process costs households, businesses and the government time and money. The purpose of our work is to look for more efficient and simpler ways of doing the job.

Any future annual vehicle licensing system needs to continue to meet the following objectives:

- keep contact details for registered persons and owners up-to-date
- collect revenue for the National Land Transport Programme
- collect revenue for the ACC motor vehicle account.

The following strengths of the annual licensing system can be built on:

- it collects revenue for transport initiatives and ACC injury cover at a reasonable level of cost
- it validates information related to a vehicle (like the colour and engine size) and the contact details of the person who has a vehicle registered under his/her name
- it is understood by New Zealanders
- it could allow the current approach to collecting the ACC levy to be modified so that vehicle owners pay different amounts according to risk factors – for example, risk could possibly relate to the type of driver, or type of vehicle.

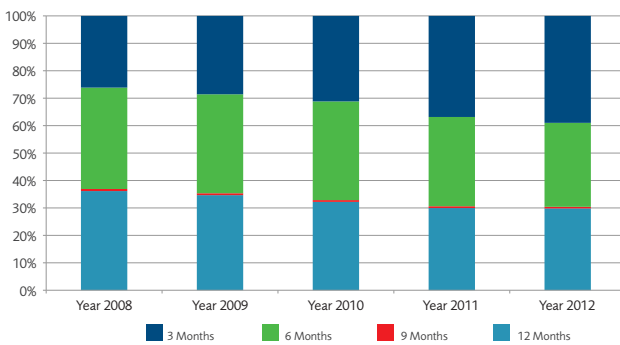
<sup>6</sup> Some basic risk rating is currently undertaken based on vehicle type, for example, motorcycles pay a higher ACC levy than passenger vehicles.

When the current annual licensing system was reviewed, the following issues were identified:

1. In recent years, the number of transactions has increased, as motorists buy licences for shorter periods of time as shown in the graph below. Each transaction costs a motorist time and a transaction fee, currently \$6.40<sup>7</sup>.

2. More automated transactions and reducing the requirement to repeat details where they are already known can reduce the time it takes to make these transactions. The NZ Transport Agency has already implemented improvements in this area. Examples are the introduction of online payments and pre-populated reminder forms that already contain a person's contact details.

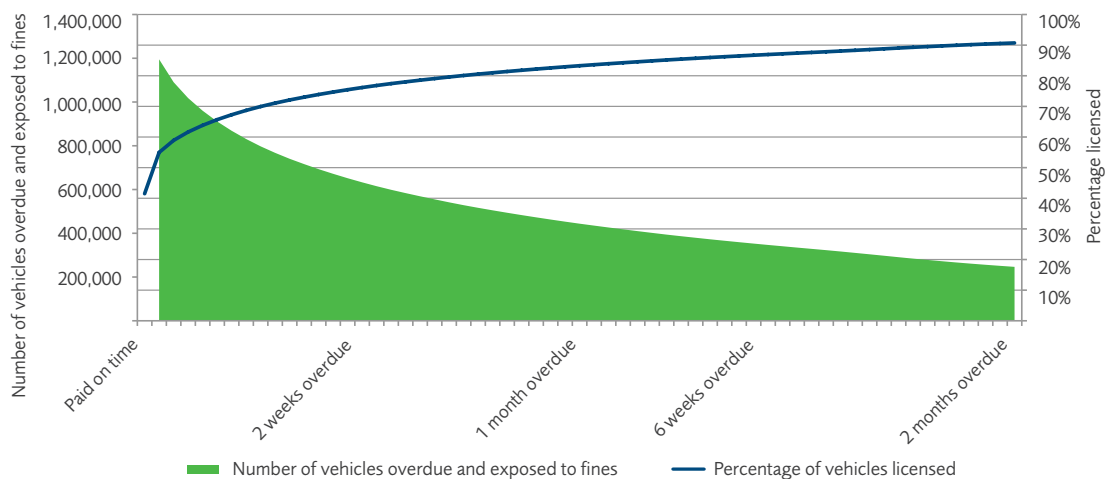
**Length of licences for passenger cars and vans since 2008**



**The potential to reduce the cost of annual vehicle licensing**

Depending on how we value peoples' time and the process they use for paying for annual vehicle licensing, it costs the economy in the order of \$30 to \$40 million per year. If we could introduce smart payment systems such as greater use of the internet or automatic payments, this could lead to significant savings for people.

**Timeliness of licensing for passenger cars and vans**



<sup>7</sup> Currently, there is only one administration fee for vehicle licensing. On 1 October 2012, a variable administration fee based on how you pay (ie by internet or over the counter) will be in place.

3. Only around 40 percent of vehicles are re-licensed on time. Many people pay a couple of days late, or within a week. After one month more than 80 percent of people have paid. It is important everyone pays their share to help keep the costs as low as possible for all motorists.
4. The current system relies quite heavily on fees, infringements and enforcement to encourage people to comply. This creates costs, with parking wardens, Police, and courts being involved in checking who has paid, issuing and chasing up unpaid fees and fines.
5. There are around 235,000 infringement offence notices issued each year. Even those whose payments are just a day or two late risk up to a \$200 fee. Many people receive an infringement offence notice for not displaying a licence label in the correct manner. This means that people can get a notice, for example, if the label falls off the windscreen. This does not just cost motorists money and time (to arrange payments, challenging perceived unfair infringement offence notices) - it also costs authorities time, when motorists challenge the infringement offence notice<sup>8</sup>.
6. Unpaid fines from annual vehicle licensing and warrant of fitness (WoF) infringement offences make up around 43 percent of the Ministry of Justice's outstanding fines. In comparison to other traffic infringement offences, people are slow to pay annual vehicle licensing fees and fines. The level of unpaid fines means that recovering these fines is expensive and places considerable burdens on the court system.
7. A number of vehicles rarely used on public roads are required to be licensed and pay a small fee to cover their share of costs, for example, household trailers<sup>9</sup>. Do these kind of vehicles need to be licensed at all, as the costs of collecting the fee may well outweigh the benefits? Removing these vehicles from licensing requirements will reduce costs for their owners.
8. If a vehicle is not used for a period of time, a motorist can apply for a temporary exemption from annual vehicle licensing. The NZ Transport Agency issues around 337,000 exemptions from licensing each year, of which about 235,000 are for cars, vans and motorcycles. The exemption process has been open to abuse to some extent, increasing the fees for those

who do pay. We estimate that between 65,000 and 130,000 cars and vans per year are used while on temporary exemption. This results in costs for other motorists of around \$15 to 30 million per year.

Complying should be as easy as possible for people. There will always be a small number of people who choose not to, but these few should not penalise and punish the majority of people that do. At the moment, the licensing and enforcement system does not seem to have the right balance.

To address these issues, a range of ideas are being explored to make it easier for people to comply, to improve the current enforcement system and make other business improvements to simplify the system as much possible:

- direct debit payments could be offered as a payment option. This could be more convenient for some customers. As some administration costs are likely to result, customers that use this payment option may need to pay for the cost
- early payment incentives and late payment penalties could be used to encourage more people to pay on time
- changing or removing the licence label
- focussing on issuing infringement notices when a vehicle owner has not paid the licence fee, rather than situations where, for example, the owner may have paid but the licence label has been displayed incorrectly
- providing the opportunity for fleet and multiple vehicle owners to manage all their vehicles through one account
- improved communication could be used to remind customers about annual vehicle licensing, such as email or text messages. This would apply to those that prefer to use this type of communication
- removing some light trailers and caravans vehicles from the system that probably do not need to be licensed, such as light trailers.

In exploring these improvements, aspects like the cost of the changes and the benefits for customers will need to be investigated further before being implemented. Some of these proposals, like changes to the label, would also require legislative changes.

<sup>8</sup> Prosecuting authorities issue around 33,000 waivers a year and process many more.

<sup>9</sup> Trailers and caravans less than 3.5 tonnes.

## Other ideas looked at

A wide range of areas was investigated to improve the annual vehicle licensing system, some of which would be a fundamental change to the current situation. Although these ideas will not be further explored right now, some could be considered in the future, after a decision on the future charging for ACC's motor vehicle account has been made. Some of these ideas may have serious disadvantages or constraints that would need to be resolved. These ideas need to be worked through in more detail to see whether they are realistic alternatives to the current situation.

**Collecting the licensing fee with petrol or road user charges:** this idea would allow the annual vehicle licensing process to be removed altogether. Revenue would be collected through petrol excise duty and road user charges and an alternative way would have to be found to keep contact data up-to-date. If a similar amount of revenue was to be collected, then the costs of petrol would increase by around 24 cents a litre. Light diesel vehicles would face an average increase of road user charges of around \$25.90 per 1,000 kilometres. For heavy vehicles the increase would be around \$15.50 per 1,000 kilometres. The increases required would be significant and could affect New Zealand's economy through

transport costs being passed onto the consumer.

**Collecting the fee with WoF and CoF or through vehicle insurance:** in this idea other existing vehicle based transactions could be used, which would remove the need for a separate licensing transaction. This would increase the amount motorists would have to pay at one time and there is a risk that this would negatively affect motorists' willingness or ability to get a WoF, CoF or to take out vehicle insurance.

**Using first registration and change of ownership:** this is another idea where an existing transaction could be used. However, this could be unfair, as those who own a vehicle over a long period of time would be much better off than those who own it for a short time. The amount that would have to be paid in this case would also likely be high in comparison with the current fee.

**Having the fee based on the driver or user of transport:** this idea would be a fundamental shift from the current situation, as a fee would be based on the driver rather than the vehicle. One important issue that would need further work relates to people who have a driver's licence but do not own or use a car very often. Further work is also required to help make sure that the system is fair to the majority of users.



## ANNUAL VEHICLE LICENSING IDEAS FOR CHANGE

### Ideas for improving the annual vehicle licensing system

- Direct debit payment option to increase convenience for customers
- Allow fleet and multiple vehicle owners to manage all their vehicles through one account
- Improved communication such as email and text payment reminders
- Early payment incentives and late payment penalties
- Remove some vehicles from the system that do not need to be licensed
- Change or remove the licensing label
- Focussing on issuing infringement notices when it is clear that a vehicle owner has not paid the licence fee, rather than where, for example, a licence label has been displayed incorrectly

### Potential gains

Annual vehicle licensing affects most New Zealanders. Improvements like those described have the potential to save motorists time and money, through simplifying their annual vehicle licensing transactions.

There could also be reduced costs and time for motorists related to paying and challenging infringement fees.

As well, there would be reduced costs for the justice system as there would be less need to chase and collect fees and fines. This could also potentially free up Police and local government time to focus on other enforcement issues.

### Potential risks

The NZ Transport Agency would need to invest in improvements to its administrative and IT systems associated with the proposed changes. The most significant cost is the likely IT changes, and this would need to be funded.

Here's your  
chance to have  
**your say**

## QUESTIONS FOR YOUR SUBMISSION

### Annual vehicle licensing

1. What would make it easier or encourage you to renew your annual vehicle licence on time? You can choose more than one option.
- paying by direct debit, which could allow me to set the payment up once and spread the cost of licensing in a more convenient manner
  - early payment incentives
  - choosing to receive reminders by email or text
  - late payment penalties
  - allowing fleets to be managed through one account

Write your comments here

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2. Are there any other changes that you think are required to improve the annual licensing system and reduce your costs?

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(A full submission form is available at Appendix four)

### Summary of transport services licensing options

Transport services licensing controls who can be part of various transport services. The main purpose of the system is to support road safety, although passenger and driver safety is an issue for some transport services. To be licensed, operators generally must meet a 'fit and proper person' standard and have knowledge of transport law and practice. Individuals and companies must get and hold a transport service licence if they operate vehicles used in heavy goods services, passenger services (buses and taxis), rental or tow services.

#### Option one: remove transport services licensing

- A transport services licence would no longer be required for any commercial transport operators

#### Option two: targeted management of transport services

- A transport services licence would no longer be required for any commercial transport operators
- A management regime would be retained for vehicle recovery services (tow trucks) and targeted management for other operators that needed assistance to meet acceptable levels of performance
- The following towing services would not be subject to licensing:
  - > towing of vehicles to the nearest place of safety by roadside breakdown services
  - > towing of vehicles by operators of rural garages to move a vehicle to the operator's nearest premises for repair

## UNDERSTANDING TRANSPORT SERVICES LICENSING REFORM

The following section discusses in more detail the ideas behind reforming the transport services licensing system and sets out the potential gains and risks of each option.

### What is transport services licensing?

Transport services licensing controls the entry into, and exit out of, various transport services, such as goods, passenger, rental and vehicle recovery services. The main purpose of the system is road safety, although it has other objectives. For example, passenger and driver safety and security are a concern in regulating the taxi industry. An important part of the system is that operators must meet and maintain a 'fit and proper' person standard and, except for rental services, must hold a Certificate of Knowledge of Law and Practice. The licensing system also provides a way to identify particular operators within the transport industry to help with enforcement and other regulatory activities. Appendix two provides a more detailed outline of the role of transport services licensing.

There are four types of transport service licence in New Zealand:

1. goods service which covers carrying goods on a road on a truck with a gross laden weight of 6,000 kg or more
2. passenger service which covers carrying people on a road, in a vehicle that is either:
  - a. designed to seat 12 or fewer people, and the carriage is for hire or reward (for example — taxis, shuttles, dial-a-driver services, or limousines), or
  - b. designed to seat 13 people or more, regardless whether the carriage is for hire or reward (for example, urban buses, intercity coaches or tourist coaches)
3. rental service which covers hiring or renting out any motor vehicle (except where the hire is for a period of more than six months)
4. vehicle recovery service (tow trucks) which covers towing or carrying any motor vehicle on a road (exceptions include where the vehicle is owned by the person, or one vehicle is towing another disabled vehicle with a rope and the towing is not being undertaken for hire).

Taxis must also belong to a taxi organisation approved by the NZ Transport Agency. Approved taxi organisations have a number of special responsibilities, which include providing a passenger booking service and driver safety monitoring, dealing with customer complaints and administering unique fleet numbers.

### Why reform transport services licensing?

Any reform of transport services licensing should make sure that:

- road safety continues to be a primary goal
- transport services licensing should be removed for transport services where it has little or no impact on managing harmful effects
- if regulation is required, it should:
  - > intervene only in proportion to the harmful effects of that sector
  - > allow roles for industry in managing itself or relevant harmful effects where this is possible or appropriate
  - > encourage or provide incentives for responsible and safe behaviour
  - > minimise duplication and/or complement other regulations.

Transport services licensing was designed to protect society from potential harmful effects, such as:

- death and injury to road users caused by transport service vehicles (vehicle fault and driver action)
- non-payment or under-payment of road user charges
- damage to roading infrastructure, caused by overweight or oversize vehicles
- consumers being 'ripped off' in terms of fares and charges
- inappropriate or criminal behaviour against transport service users
- facilitating other criminal activity
- crimes against taxi drivers
- illegal parking by transport service drivers contributing to urban congestion.

However, transport services licensing has had little, if any, measurable impact on addressing or reducing the harmful effects that have been identified above, with the possible exception of vehicle recovery services. We assessed all the regulatory controls that apply to each sector against the harmful effects of that sector. This showed transport services licensing adds little on top of other controls. Discussions with Police and industry suggest that transport services licensing has reduced poor behaviour and improved the image of the vehicle recovery industry.

Transport services licensing has not worked well because it is difficult and expensive to remove bad operators, and to stop them from starting up again under other licensees. Only 34 licences were revoked in 2011. The number of applications that were declined increased from 31 in 2010 to 50 in 2011, although the numbers of people who decided against applying cannot be calculated. Appendix three sets out the numbers of licences issued, declined and revoked between 2007 and 2011. A licence application can be declined, or revoked, where the minimum 'fit and proper' standards are not being met or maintained.

Many of the perceived benefits of transport services licensing actually result from other government regulation. Some of this regulation is linked with transport services licensing, but can work without it. Examples are:

- the certificate of fitness (CoF) system, which improves the safety standard of vehicles
- work time and logbook requirements, which address road crashes from driver fatigue
- special driver licensing requirements for transport service drivers which protects passengers from criminal acts by drivers.

Other regulation such as workplace health and safety requirements and consumer protection legislation also overlap with transport services licensing.

Another problem is that transport services licensing, while designed to regulate 'hire or reward' transport services, applies to many people and organisations that are not in the transport business. Examples are farmers with trucks they use to carry goods for their farm and contractors who use a goods vehicle to carry their tools of trade. Some parts of transport services licensing may also restrict innovation and unnecessarily discourage some people from participating in things like community-based transport services.

Each year, around \$10 million is collected to maintain the transport services licensing register and for the NZ Transport Agency's other regulatory functions in the

commercial transport sector. Revenue is collected through licence application fees and annual charges. A charge of \$55.00 per transport service vehicle is collected as part of the vehicle's annual vehicle licence.

It costs new operators about \$1.5 million each year to get their transport service licences. Each application is made up of a \$449.80 one-off application fee and around \$144.50 to get a Certificate of Knowledge, plus the cost of the applicant's time. There are also on-going costs for operators in displaying transport services licensing labels in all vehicles, keeping records up-to-date and making sure that at least one person in control holds the Certificate of Knowledge. These on-going costs are probably under \$100,000 a year.

Removing the requirement for transport services licensing would reduce costs associated with displaying transport services licensing labels and other administrative compliance work. It will also remove the cost for around 2,000 new applicants each year.

For the vehicle rental industry, vehicle safety and consumer protection could be managed by existing transport and consumer law. The road safety risk comes from the person who hires and drives the vehicle. The person who makes the vehicle available is better placed to manage the risk by providing advice on New Zealand road conditions and checking the driver's licence. For the taxi industry, operators would still be regulated through compulsory membership of approved taxi organisations. The case for removing the requirement is less strong for vehicle recovery services where transport services licensing, along with driver licensing, appears to have improved conduct, as explained earlier.

## Options excluded

Options that involve a return to highly restrictive management of the sector (for example, restricting the number of operators, limiting the ways in which services can be operated) were not considered. Options that would likely increase the overall cost to the economy, through the cost of compliance or the cost of regulating the sector, were excluded. The project's terms of reference also excluded reform of approved taxi organisations. Approved taxi organisations were excluded because they do not come under transport services licensing and are generally accepted as being an important part of controlling the taxi industry.

## TRANSPORT SERVICES LICENSING OPTIONS FOR CHANGE

The options presented in this document take into account that other non transport services licensing controls apply to transport services. These include:

- transport services and transport service vehicles will continue to be defined in law
- taxi operators will continue to be required to belong to an approved taxi organisation
- transport service vehicles will continue to be subject to CoF requirements (subject to the outcomes of the CoF review)
- driver licensing requirements will continue for some transport service drivers, particularly for dangerous goods (D), passenger (P) and vehicle recovery (V) endorsements
- monitoring operator performance through systems such as the planned Operator Rating System. The Operator Rating System is a means by which all safety information about an operator is collated, ranked, analysed and published by the NZ Transport Agency
- the work time and logbook system will continue
- chain of responsibility<sup>10</sup> provisions will continue, with possible improvements.

### Option one: remove transport services licensing

- A transport services licence would no longer be required for any commercial transport operators.

### Potential gains

This option would reduce costs for transport operators by removing the cost associated with displaying transport services licensing labels and other administrative compliance work. It will also remove the cost of entry for the around 2,000 new applicants each year. This represents an annual saving of approximately \$1.5 million in the costs associated with new applications.

This option may also reduce the amount of work government agencies carry out to keep registers up-to-date and deal with enquiries.

### Potential risks

Transport services licensing has reduced poor behaviour and improved the image of the vehicle recovery industry (towing). Removing transport services licensing from this industry might open the door for unwelcome practices or allow poor operators to return to the vehicle recovery industry.

The current system may also have deterred some unsuitable people from joining the industry and this is difficult to quantify. Such people could take advantage of any change.

Some stakeholders also see benefits in transport services licensing because they believe that it helps to keep unsound operators out of the transport industry.

While there are other controls that apply to most of these services, some adjustments to these controls would be needed to enhance their powers or adapt to the new approach.

Others, such as rental car operators and bus operators may be concerned about the perceptions of their operations by international tourists without a government-mandated licensing system.

There would be a reduced need for administration of transport services licensing but there would still be a role for government agencies to manage the risks and issues in the commercial transport sector, eg, harm caused by heavy vehicles. The costs for this would still need to be recovered. The final costs will be determined once the final regulatory framework has been worked out.

<sup>10</sup> The chain of responsibility holds that all the people who influence drivers' behaviour and compliance should, and must, be held accountable if that influence results in non-compliance with traffic rules and laws.

### Option two: targeted management of transport services

- A transport services licence would no longer be required for any commercial transport operators
- A management regime would be retained for vehicle recovery services (tow trucks) and targeted management for other operators that needed assistance to meet acceptable levels of performance
- The following towing services would not be subject to licensing:
  - > towing of vehicles to the nearest place of safety by roadside breakdown services
  - > towing of vehicles by operators of rural garages to move a vehicle to the operator's nearest premises for repair

### Potential gains

Option two would reduce the costs for transport operators, other than the targeted group. Costs would be reduced by removing the need for many operators to apply for a transport services licence and by removing the ongoing cost associated with things like the display of transport services licensing labels. The numbers of operators who would no longer require regulation would determine the scale of the savings.

Keeping a management regime for vehicle recovery services could help to prevent the pre-1989 unruly and inappropriate behaviour around crash scenes and tow yard from returning. There were also concerns around the use of tow trucks for vehicle theft.

Further, the discretion to place poor performing operators into a targeted management regime would allow the regulator to impose the requirements that target the risks that those particular operators pose. That operator would meet the cost of this management regime.

To manage other risks the following systems would also continue to apply:

- Some form of identification for operators would still be required to maintain the planned Operator Rating System
- Other controls such as driver licensing (endorsements), vehicle inspections, work time and logbook requirements and chain of responsibility would still apply to all commercial transport operations (as current)
- A vehicle could only be operated as a taxi through its operator belonging to an approved taxi organisation, and being subject to the organisation's operating rules.

### Potential risks

Some stakeholders see benefits in transport services licensing because they believe that it helps to keep unsound operators out of the transport industry. The current system may have deterred some unsuitable people from joining the industry but this is difficult to quantify. Such people could take advantage of any change.

Others, such as rental car operators and bus operators, may be concerned about the perceptions of their operations by international tourists if transport services licensing were to be removed.

A targeted management regime may be complex and difficult to set up.

There would be a reduced need for administration of commercial transport but there would still be a role for government agencies to manage the risks and issues in the commercial transport sector, eg, harm caused by heavy vehicles. The costs for this would still need to be recovered. The final costs will be determined once the regulatory framework has been worked out.



Here's your  
chance to have  
**your say**

## QUESTIONS FOR YOUR SUBMISSION

### Transport services licensing

1. What do you think is the best option for reforming transport services licensing?

- Option one:** no transport services licensing
- Option two:** targeted management of transport services

2. Why have you chosen this option?

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3. Are there any impacts of these options you think have not been discussed?

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(A full submission form is available at Appendix four)

# APPENDIX ONE

## TERMS OF REFERENCE FOR VEHICLE LICENSING REFORM

### Introduction

- The Vehicle Licensing Reform project covers:
  - > the in-service warrant of fitness (WoF) and certificate of fitness (CoF) regime
  - > the annual (continuous) vehicle licensing regime
  - > the transport services licensing regime
- The project will include three main phases: policy development and implementation planning; legislation, and implementation.

### Objectives

- The objectives of the Vehicle Licensing Reform project are to:
  - > support the government's economic growth and regulatory reform agendas by reducing regulatory burdens while achieving similar or improved safety and environmental outcomes
  - > align the costs of regulatory intervention for operator and vehicle licensing, and vehicle inspection systems to safety risks and benefits
  - > reduce associated compliance and administrative costs
  - > support the establishment of a sustainable and flexible business model and system for administering the land transport system
  - > achieve net benefit from any change and avoid unintended consequences.

### Rationale

- The three regimes are characterised by large volumes of transactions for households and businesses (more than 14 million each year). The quality of those transactions could be improved, which could include reducing the number of transactions.
- There is a significant opportunity to contribute to economic growth because each transaction involves administrative and compliance costs that cumulatively have a substantial economic impact. These regimes are potentially ineffective or inefficient due to the following issues:
  - > the rationale for these regulatory systems is not always clear and, as a consequence, the extent of the intervention may not be justified

- > the level of safety risk may not justify the level of intervention
- > there may be more efficient ways to collect revenue or achieve regulatory objectives due to changes in technologies, practices and policies.

### In scope

- The scope and purpose of annual vehicle licensing, including its associated collection mechanisms and compliance.
- Options that would allow for the continued collection of the ACC levy currently collected through annual vehicle licensing and compliance.
- The scope and purpose of the warrant of fitness and certificate of fitness regimes, such as how to better match inspection rigour and frequency to risk and alternative mechanisms for achieving compliance.
- The scope and purpose of the transport services licensing regime, including a possible reduction in scope or possible removal.
- Analysing and reporting on the economic and social impacts of any proposed changes for organisations, individuals, households and businesses.
- Analysing and reporting on justice system implications.
- Identifying legislative, rule or operational changes needed to implement any decisions.
- Recommendations for consequential changes to other systems, eg driver licensing.
- Identifying implications for the NZ Transport Agency's business processes, systems and agency contracts.
- Mechanisms to ensure the effective recovery of costs for administering the relevant regulatory interventions.
- Recommendations that could involve changes to existing fees, charges or taxes.
- The continued integrity of data used by enforcement agencies, which is provided by these systems.

### Out of scope

- Reviewing the vehicle register that links vehicles to registered persons, except for changes that may be consequential.

- Reviewing the driver licensing system, except for changes that may be consequential.
- Interventions that are solely designed to improve safety or environmental outcomes, which increase regulatory burden.
- Implementing changes to organisational structure, business processes and contractual arrangements.
- Agricultural vehicles compliance, which is subject to a separate review, except for changes that may be consequential.
- Reviewing approved taxi organisations.
- Reviewing the NZ Transport Agency's Operator Rating System.
- Reviewing the Commercial Vehicle Investigation Unit and NZ Transport Agency taxi enforcement officers.

### **Project governance**

The project is being jointly undertaken by the Ministry of Transport and the NZ Transport Agency.

### **Timeline**

Decisions are expected by the end of 2012.

## APPENDIX TWO

### TRANSPORT SERVICES LICENSING – OUTLINE OF THE CURRENT SYSTEM

The current transport services licensing system:

- defines what constitutes a transport service
  - allows people (including companies) to operate a transport service only where they hold a relevant transport service licence issued by the NZ Transport Agency — there are no limitations on the number of licences or vehicles that can be held by any individual or organisation
  - sets minimum standards for obtaining, and holding, a transport service licence. These minimum standards are:
    - > a person must not be disqualified from holding a transport service licence
    - > every person in control must be 'fit and proper'. This takes into account criminal and traffic offending
    - > except for rental services, at least one person in control must hold a certificate of knowledge of law and practice
  - allows the NZ Transport Agency to revoke a transport service licence when the minimum standards are not met, and to disqualify any person deemed not 'fit and proper' from being able to apply for a transport service licence
  - provides a mechanism to target requirements to specific segments of the transport industry, for example, rules specifically for the taxi industry, other passenger services and the vehicle recovery industry
  - provides a ready means of linking vehicles to an individual operator — this is particularly useful for fleet safety audits, police enforcement action, and calculating and publishing an Operator Safety Rating
- allows these on-going activities:
    - > when a certificate of fitness is issued, the vehicle's transport services licensing number is recorded.
    - > the display of transport services licensing labels in each transport service vehicle that show the transport service licence under which that vehicle is being operated (this assists with roadside enforcement)
    - > the recovery of revenue to support the costs incurred by the NZ Transport Agency in managing the various requirements on the industry. This is achieved through an annual transport licensing fee of \$55 per vehicle (collected as part of the vehicle's annual vehicle licence fee).

## APPENDIX THREE

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chance to have  
**your say**

### TRANSPORT SERVICES LICENSING – LICENCES ISSUED, DECLINED AND REVOKED

PERIOD	LICENCE TYPE	2008	2009	2010	2011
<b>TSLs issued</b>	Goods services licences	2498	1498	1023	1059
	Passenger services licences	1092	875	807	947
	Vehicle recovery service licences	54	37	32	32
	Rental service licences	113	109	75	106
	<b>TOTAL</b>	<b>3757</b>	<b>2519</b>	<b>1937</b>	<b>2144</b>
<b>TSLs declined</b>	Goods services licences	13	22	21	31
	Passenger services licences	5	6	8	18
	Vehicle recovery service licences	0	0	0	0
	Rental service licences	0	0	2	1
	<b>TOTAL</b>	<b>18</b>	<b>28</b>	<b>31</b>	<b>50</b>
<b>TSLs revoked</b>	Goods services licences	3	17	9	14
	Passenger services licences	6	20	12	18
	Vehicle recovery service licences	0	0	1	1
	Rental service licences	0	0	0	1
	<b>TOTAL</b>	<b>9</b>	<b>37</b>	<b>22</b>	<b>34</b>

# APPENDIX FOUR

## QUESTIONS FOR YOUR SUBMISSION

The questions included in this paper are to guide your feedback. So that your viewpoint is clearly understood, and also to provide more evidence to support decisions, please give reasons for your answers or in support of your position.

You can either:

1. Send us a written submission focusing on the questions in this document that are relevant to you. Please use the submission template available on the <http://www.transport.govt.nz/ourwork/Land/vehiclelicensingreformconsultation/> or in this Appendix.
2. Go to the online survey on the <http://www.transport.govt.nz/ourwork/Land/vehiclelicensingreformconsultation/> and choose which sections you'd like to answer.

Please email your written submission to: [vehiclelicensingreform@transport.govt.nz](mailto:vehiclelicensingreform@transport.govt.nz) with the word **Submission** in the subject line.

Or post it to; Vehicle Licensing Reform Submissions, Ministry of Transport, PO Box 3175, Wellington 6140.

The deadline for submissions is **5pm, Wednesday 31 October, 2012.**

### Your role

Your name \_\_\_\_\_

Your email address \_\_\_\_\_

*Why is your email needed?*

*Your email address is needed in case we need to contact you with any questions about your submission.*

1. What is your interest in Vehicle Licensing Reform?

Are you:

- A private individual?
- Part of the transport sector?

2. If you are part of the sector, please describe your role:

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## Warrant of fitness

1. What do you think is the best option for warrant of fitness (WoF) reform?

- Option one** – yearly inspections for all vehicles up to 12 years-old, six-monthly thereafter, with measures to encourage safe vehicles
- Option two** – first inspection at three years, annual thereafter, improved test, with measures to encourage safe vehicles
- Option three** – inspection based on distance travelled, with measures to encourage safe vehicles
- Option four** – inspections only on change of ownership, with measures to encourage safe vehicles
- Some other package** – please describe

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2. Why have you chosen this option?

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3. Are there any issues for warrant of fitness, which we have not identified?

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## Certificate of fitness

1. What do you think is the best option(s) for certificate of fitness (CoF) reform?

- Option one:** variable frequency with six-monthly inspections as default and greater flexibility in inspection services
- Option two:** variable frequency with 12-monthly inspections as default and greater choice over inspection services
- Option three:** alternative accreditation
- Some other package** – please describe below

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2. Why have you chosen this option?

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3. Are there any issues we have not identified for CoF A (heavy vehicles) and CoF B (other commercial vehicles)?

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## Annual vehicle licensing

1. What would make it easier or encourage you to renew your annual vehicle licence on time? You can choose more than one option.

- paying by direct debit, which could allow me to set the payment up once and spread the cost of licensing in a more convenient manner
- early payment incentives
- choosing to receive reminders by email or text
- late payment penalties
- allowing fleets to be managed through one account

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2. Are there any other changes that you think are required to improve the annual vehicle system and reduce your costs?

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**Transport services licensing**

- 1. What do you think is the best option for reforming transport services licensing?
  - Option one:** no transport services licensing
  - Option two:** targeted management of transport services

2. Why have you chosen this option?

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3. Are there any impacts of these options you think have not been discussed?

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