Road User Charges Administration
Fee Review
Consultation Document

December 2013

Prepared by
The Access and Use Group
1. Introduction and overview

This Consultation Document provides information about proposed changes to Road User Charges (RUC) administration fees. It is important to note that this review concerns the administration fees for RUC collection; it does not include road user charges themselves, which are set out in the Road User Charges (Rates) Regulations 2013. The fees for RUC administration are set out in the Road User Charges (Administration Fees) Regulations 2012 and cover the following:

1. RUC collection costs
2. RUC licence replacement, distance overrun assessments and applications to change RUC vehicle type
3. Exemptions for light RUC vehicles which are used almost exclusively off-road.

These fees are applied to recover the costs of administering the road user charges system.

This review is driven by the recent (2012) simplification and modernisation of the RUC system. Specifically, RUC administration fees for internet transactions were discounted to encourage use of the online channel for RUC purchases. A review was scheduled for later in 2013 to examine the impact of this approach. This review has now concluded and a number of changes are proposed to the fees as a result. It is intended that any RUC administration fee changes will take effect from 1 July 2014, and will remain in place for a period of three years (the ‘fee cycle’).

In summary, the Transport Agency proposes the replacement of the seven current RUC collection fees with the following three, channel-based fees:

1. Face-to-face
2. Digital self-service
3. Digital assisted.

The proposed fees reflect the underlying costs of each channel, and are intended to consolidate the Transport Agency’s efforts to align its activities with the Government ICT Strategy and Action Plan to 2017. A summary of current and proposed fees are presented in Appendix 1. Current purchase methods are mapped against the three proposed channels in Appendix 2.

It is proposed that fees for road user distance licence replacement, distance overrun assessments and applications for changing RUC vehicle type remain in place, but are adjusted to ensure that the full costs of these services are recovered throughout the fee cycle. The Transport Agency proposes no change to the current fees for RUC exemptions and transactions associated with RUC exemptions, as these services have only just been introduced and it is too early to confirm their costs.

You are invited to comment on these proposals. The deadline for submissions is 5pm Tuesday 11 February 2014. Details about how to make a submission are provided in Section 7: How to have your say.

Following the consultation process, which will involve an analysis of submissions made on the proposals, the Transport Agency will finalise its recommendations for changes to fees, and submit these to the Minister of Transport for his consideration. The Minister will take the recommendations that he supports to Cabinet for a final decision and, subject to the agreement of Cabinet and the Governor

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1 A summary of the fees proposal is also provided in tabular form in Appendix 1 of this Consultation Document.
General, new RUC administration fees will be introduced by regulation. It is intended that any amendments to these regulations will take effect from 1 July 2014.
2. Principles and approach

The RUC administration fee review is guided by the following principles:

- All RUC fees must have a clear statutory mandate in relevant primary legislation (i.e. the Road User Charges Act 2012) and must be set in accordance with applicable guidelines from the Treasury and the Audit Office.
- The recovery of RUC administration costs from RUC purchasers must take place in the context of ongoing effort to maintain and improve the efficiency of Transport Agency services.
- Those who generate or benefit from these services should make a fair and reasonable contribution to the cost of the services.
- The alignment of fees with particular costs needs to be balanced with the need to have a simple fee structure, which incurs minimal administration costs.
- Fee setting should be cognisant of actual and possible impacts on user behaviour (including undue barriers to entry and encouraging desired behaviours).

In accordance with Treasury and Audit Office guidelines, the Transport Agency has undertaken an activity-based costing analysis as part of the RUC administration fee review. The fees proposed in this Consultation Document have been established with the aim of meeting RUC administration costs identified in this costing analysis.

These costs include direct costs associated with delivering services to users, as well as the IT systems, business processes and other forms of infrastructure needed to support these services now and throughout the entire three year fee cycle.

3. Current fees and costs

RUC collection costs

Currently, RUC collection fees are differentiated by seven methods of purchase. These fees range from $1.83\(^3\) for those purchasing a road user distance licence from an industry agent to $6.78 for those purchasing from a public counter agent (e.g. a PostShop). Purchases over the internet incur an administration fee of $4.17.

When these fees were set in 2012, an incentive was introduced to encourage users to switch to the lower cost internet payment option. This involved pricing the internet channel administration fee at 70% of the estimated cost of this channel, and recovering the shortfall through a corresponding increase to the public counter agent fee.

Those purchasing a road user distance licence through the internet channel typically pay by credit card. At the time that the new internet channel fee was set, each credit card transaction was limited to a $999 cap. This cap was lifted in June 2013 with the effect that the dollar value of credit card transactions has increased. This is reflected in increased credit card merchant fees. This cost is likely to increase throughout the fee cycle, as more transactions take place online.

While this is an indication of the success of efforts to redirect purchasing through the internet channel, the unexpected volumes of credit card transactions have resulted in greater than anticipated costs in this area. These costs are not currently being recovered.

\(^3\) All financial figures in this Consultation Document are exclusive of GST.
The administration fee structure is relatively complex and inflexible in terms of including new road user distance licence purchasing methods that could emerge in the next three to five years. For example, consideration is currently being given to deploying a smart phone application and introducing this new method of purchase would require a change to the current Road User Charges (Administration Fees) Regulations 2012. Further, while the current structure incorporates an incentive to support greater use of online services, much more can be done from a pricing perspective to encourage customers to use fully automated, digital self-service options.

Matters related to RUC licence display and purchase

As part of the last fees review (in 2012), three new fees were introduced. These fees were for:

1. Replacement road user distance licences (currently $3.57)
2. Distance overrun assessments (currently $6.09)
3. Applications to change RUC vehicle type (currently $43.91).

The Transport Agency’s costing analysis indicates that some changes are necessary to ensure that the fees associated with these services are aligned with underlying costs.

RUC exemptions

The Transport Agency also charges for a number of services related to RUC exemptions. These have not been included in the scope of the review, as they have yet to fall into a stable pattern. In the meantime, it is proposed that these fees remain at their current levels.

4. Proposed fees

Proposed RUC collection fees

In recent years the number of digital government services has grown significantly. The Government ICT Strategy and Action Plan to 2017 outlines further opportunities for growth in terms of expanding the use of digital channels for interactions with crown agencies. With this in mind, it is proposed that the seven current agent-based collection fees be consolidated into three channel-based fees:

1. Face-to-face (over the counter) - $6.20
2. Digital self-service (internet, electronic system providers etc) - $2.95
3. Digital assisted (purchased via phone, fax or email) - $7.50.

These prices represent the current underlying costs of purchasing RUC through each of these channels\(^4\), including the cost of a new IT system to improve the management of RUC collection and assessment. The IT system improvements are intended to improve the convenience and ease with which customers purchase road user distance licences, thereby minimising penalty payments.

The proposed administration fee for face-to-face transactions of $6.20 per transaction represents a reduction of 58 cents for this type of purchase. It is also proposed that digital assisted fees increase by $2.37 per transaction to $7.50 to reflect the full cost of this type of transaction. Digital self-service transaction fees will need to increase overall (to $2.95) to ensure that credit card bank charges are recovered, although consideration is being given to a separate surcharge for those using credit cards. This would allow a reduction for those using direct credit online payments (e.g. POLi) to purchase RUC distance licences.

\(^4\) A table mapping the purchase methods to the proposed channels is provided in Appendix 2.
Proposed fees for matters related to RUC licence display and purchase

The Transport Agency wishes to retain fixed fees for the replacement of road user distance licences, distance overrun assessments and applications for changing RUC vehicle type, but adjust these to ensure that the full costs of these services are recovered during the fee cycle. The proposed fees are:

1. Replacement road user distance licences: $3.55
2. Distance overrun assessments: $5.95
3. Applications to change RUC vehicle type: $40.00.

The proposed fees represent a fee reduction for each of these services, due to more accurate costing information collected during 2013.

You are also invited to consider the purchase of replacement road user distance licences through the three proposed RUC collection channels. This would result in a decrease from the current charge of $3.57, to $2.95, or an increase from the current charge where purchases occurred through face-to face or digital assisted channels.

5. Other provisions

Bank charges
The Transport Agency intends to move more of its financial transactions online to reduce transaction costs and to give customers a greater and more convenient range of payment options. However, it is likely the Transport Agency will face greater bank charges in the future. The preferred method of recovering bank charges is through a separate surcharge. If this was implemented for credit card fees, for example, a substantial reduction in the proposed digital self-service fee could be effected for those using online payment methods, other than credit cards.

6. Efficient business processes

The Transport Agency is constantly aware of the need to explore ways of minimising costs. To this end, it is proposed that fees be set to recover services costs as they stand for the year ending 30 June 2014, without price movements incorporated for the three year fee cycle. By the end of the third year of the next fee cycle (i.e. 2017), it is expected that fees will reduce by 5% in real terms from their 2014 value.

This approach would still permit revenue to change with transaction volumes.
7. How to have your say

The deadline for commenting on the RUC administration fee review proposals is 5pm Tuesday 11 February 2014. Comments can be provided by:

1. Email to feesconsultation@nzta.govt.nz
2. Online at www.nzta.govt.nz/feesconsultation
3. Post to the RUC Administration Fee Coordinator, Private Bag 6995, Wellington, 6141
4. Delivery to the RUC Administration Fee Coordinator, Level 2, 50 Victoria Street, Wellington, 6011.

Please include the term “Submission on the RUC Administration Fee Review” clearly in the e-mail subject field or on the front of the envelope.

All received submissions will be acknowledged by the Transport Agency.

Your submission should include:

1. Your name and address for correspondence
2. The date of your submission
3. The specific aspects of the proposal that you support or oppose
4. The reasons for your support or opposition
5. The recommendations you wish to be considered
6. Your signature.

For queries about the RUC administration fees proposal, please use the e-mail address above or call 0800 655 644.

Submissions are public information
Submissions provided to the Transport Agency on this proposal will be subject to the provisions of the Official Information Act 1982. This Act requires information to be made available on request unless there is good reason, pursuant to the Act, to withhold the information. If you do not wish any material in your submission to be released, or if you are submitting as an individual and do not wish your identity to be disclosed, please specify the material that you wish to be withheld and the grounds (as set out in the Act) for withholding it. The decision whether to release information under the terms of the Act rests with the Chief Executive of the Transport Agency. Any decision to withhold information is subject to appeal to the Office of the Ombudsmen.
Appendix 1: Current and proposed fees for RUC administration

Administration fees for collecting road user charges (excluding GST)

<table>
<thead>
<tr>
<th>Fee</th>
<th>Current fees ($)</th>
<th>Proposed fees ($)</th>
<th>Description of proposed fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public counter agents</td>
<td>6.78</td>
<td>6.20</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Industry agent</td>
<td>1.83</td>
<td>2.95</td>
<td>Digital self-service</td>
</tr>
<tr>
<td>Commercial fuel stop agent</td>
<td>5.39</td>
<td>2.95</td>
<td>Digital self-service</td>
</tr>
<tr>
<td>Self service agent</td>
<td>1.83</td>
<td>2.95</td>
<td>Digital self-service</td>
</tr>
<tr>
<td>Electronic system provider</td>
<td>1.83</td>
<td>2.95</td>
<td>Digital self-service</td>
</tr>
<tr>
<td>Purchased over internet</td>
<td>4.17</td>
<td>2.95</td>
<td>Digital self-service</td>
</tr>
<tr>
<td>Purchased by telephone or fax</td>
<td>5.13</td>
<td>7.50</td>
<td>Digital assisted</td>
</tr>
</tbody>
</table>

Administration fees for licence replacement, distance overrun assessments and vehicle type change applications (excluding GST)

<table>
<thead>
<tr>
<th>Fee</th>
<th>Current fees ($)</th>
<th>Proposed fees ($)</th>
<th>Description of proposed fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement RUC licence</td>
<td>3.57</td>
<td>3.55</td>
<td>Retain and charge at full cost</td>
</tr>
<tr>
<td>Assessment issued by RUC collector for distance overrun</td>
<td>6.09</td>
<td>5.95</td>
<td>Retain and charge at full cost</td>
</tr>
<tr>
<td>Application by owner or operator to change RUC vehicle type assigned to vehicle</td>
<td>43.91</td>
<td>40.00</td>
<td>Retain and charge at full cost</td>
</tr>
</tbody>
</table>
Appendix 2: Current RUC purchase methods mapped to proposed channels

<table>
<thead>
<tr>
<th>Purchase method</th>
<th>Proposed channels</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public counter agent</strong></td>
<td></td>
</tr>
<tr>
<td>a Independent public agents</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>b New Zealand Post</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>c New Zealand Automobile Association</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>d Vehicle Inspection New Zealand</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>e VehicleTesting New Zealand (Independent)</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>f VehicleTesting New Zealand</td>
<td>Face-to-face</td>
</tr>
<tr>
<td><strong>Industry agent</strong></td>
<td></td>
</tr>
<tr>
<td>a Independent industry agents</td>
<td>Digital self-service</td>
</tr>
<tr>
<td>b Industry agents</td>
<td>Digital self-service</td>
</tr>
<tr>
<td>c Other agents</td>
<td>Digital self-service</td>
</tr>
<tr>
<td><strong>Commercial fuel stop agent</strong></td>
<td></td>
</tr>
<tr>
<td>a BP service stations</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>b BP truck stops</td>
<td>Digital self-service</td>
</tr>
<tr>
<td><strong>Self-service agent (Direct Connect)</strong></td>
<td>Digital self-service</td>
</tr>
<tr>
<td><strong>Electronic system provider</strong></td>
<td>Digital self-service</td>
</tr>
<tr>
<td><strong>Purchased over internet</strong></td>
<td>Digital self-service</td>
</tr>
<tr>
<td><strong>Purchased by telephone or fax</strong></td>
<td>Digital assisted</td>
</tr>
</tbody>
</table>