



REGIONAL FUEL TAX FIRST QUARTER REPORT

1 July – 30 September 2021

Waka Kotahi NZ Transport Agency

1 November 2021

v1.0

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Introduction

A regional fuel tax (RFT) scheme (the scheme) was implemented on 1 July 2018 for the Auckland region, excluding Great Barrier Island (the scheme area). The purpose of the RFT is to enable additional investment for transport projects in the Auckland region as set out in Auckland Council's RFT proposal approved by the Minister of Transport and the Minister of Finance.

RFT is charged at a rate of 10 cents per litre (plus GST) on petrol and diesel (including their bio-variants) when first delivered to locations such as service stations, commercial fuel storage tanks, machines, marinas and vehicles inside the Auckland region. Waka Kotahi NZ Transport Agency administers the collection of RFT directly from fuel distributors (also known as 'taxpayers') and forwards the tax collected to Auckland Council, less any rebates paid and service cost.

This report covers Waka Kotahi's quarterly reporting requirements under section 65Y(3) of the Land Transport Management Act 2003 (LTMA). Waka Kotahi is required to report to the Minister of Transport quarterly and publish this report online.

RFT quarterly reporting periods for 2021/22 financial year are:

- Q1 2021/22: 1 July – 30 September
- Q2 2021/22: 1 October – 31 December
- Q3 2021/22: 1 January – 31 March
- Q4 2021/22: 1 April – 30 June

This report relates to the first quarter (Q1). Please note, as mentioned in the report, fuel volume data for outside Auckland is reported one quarter in arrears.

COVID-19

This reporting period includes the application of COVID-19 *Alert Levels 2-4*, which placed nationwide restrictions on personal and business travel from 17 August 2021 and continued in Auckland through the quarter 1 reporting period. This report demonstrates the impact of this lockdown, with a significant decrease in fuel volume distributed compared to the previous quarter

Non-Auckland volume data is collected and reported one quarter in arrears, and so for this report the most recent data falls outside the national *Alert Level 4 lockdown*.

Executive Summary

This section sets out a high-level summary of the findings in this report.

Volume

- Within RFT scheme area this quarter:
 - the volume of *petrol* distributed within the scheme area has decreased against the previous quarter
 - the volume of *diesel* distributed within the scheme area has decreased against the previous quarter
- Outside RFT scheme area in Q4 2020/21 (*latest quarter where data is available*):
 - the volume of *petrol* distributed outside the scheme area has decreased against the previous quarter
 - the volume of *diesel* distributed outside the scheme area has increased against the previous quarter

Price

- Median prices inside the scheme area for 91 octane petrol have increased by 28 cents per litre this quarter compared to the Q4 2017/18 baseline. Compared to Q4 2020/21, prices have increased by 14.2 cents per litre.
- Median prices outside the scheme area for 91 octane petrol have increased by 12.8 cents per litre this quarter compared to the Q4 2017/18 baseline. Compared to Q4 2020/21, prices have increased by 14.8 cents per litre.
- Fuel prices continue to differ across the country, this quarter:
 - Manawatu-Wanganui and Nelson both recorded the lowest 91 octane petrol prices across the country at 220.90 cents per litre (205.90 and 221.90 cents per litre last quarter respectively)
 - West Coast again recorded the highest 91 octane petrol prices across the country at 237.9 cents per litre (219.90 cents per litre last quarter)

Compliance and exemptions

- No complaints or concerns were raised to Waka Kotahi regarding bringing untaxed fuel into the region.
- One exempt site was referred for onsite inspection. This was conducted, and assessed, however the application was declined by Waka Kotahi.
- Six exempt sites were assessed for renewal, four renewed, one declined, and one withdrawn.
- Two taxpayers have been penalised for under-reporting tax and have since paid both the under-reported tax and the under-reporting penalty.

Fuel delivered inside the scheme area

The quarterly data for the volume of fuel delivered inside the scheme area is collected from regional fuel taxpayers' monthly returns, required under section 65V of the LTMA. Due to legislative requirements and internal processing timeframes, this data is available the month following the end of the quarter. The quarterly totals for petrol and diesel in Table 1 include all fuel delivered within the Auckland scheme area, whether or not it was liable for RFT (except for fuel exported to the Pacific Islands).

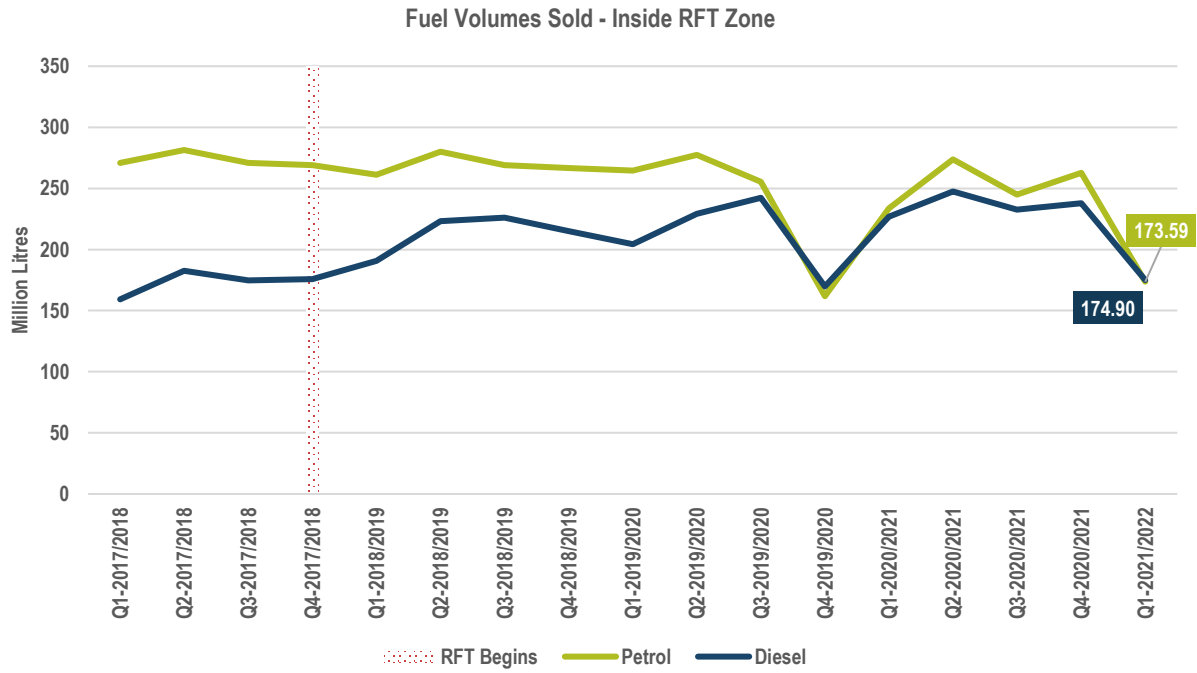
To accurately observe changes to fuel and diesel volumes before the RFT scheme took effect requires comparable baseline data. Historical baseline data was collected from Auckland Council's Local Authority Fuel Tax (LAFT) returns to calculate an approximate baseline for fuel and diesel volumes prior to the implementation of the RFT scheme. It should be noted that the Auckland LAFT geographical area differs to the geographical area covered by the RFT scheme area as LAFT returns for fuel sold within the Auckland region includes Great Barrier Island. Since the baseline data is not directly comparable, Figure 1 represents an approximate change in the volume of fuel delivered in the Auckland RFT scheme area against baseline.

Table 1 – Fuel volumes delivered inside the scheme area

	Total volume delivered inside the scheme area (million litres)	Total volume delivered inside the scheme area (million litres)	Total volume delivered inside the scheme area (million litres)
	<i>Petrol</i>	<i>Diesel</i>	<i>Petrol + Diesel</i>
Q4 2017/18: 1 Apr - 30 Jun (baseline before RFT implemented)	269.15	175.80	444.95
Q1 2018/19: 1 Jul - 30 Sep	261.32	190.70	452.02
Q2 2018/19: 1 Oct - 31 Dec	280.11	223.14	503.25
Q3 2018/19: 1 Jan - 31 Mar	269.16	226.21	495.37
Q4 2018/19: 1 Apr - 30 Jun	266.57	215.16	481.73
Q1 2019/20: 1 Jul - 30 Sep	264.69	204.29	468.98
Q2 2019/20: 1 Oct - 31 Dec	277.34	229.24	506.58
Q3 2019/20: 1 Jan - 31 Mar	255.53	242.34	497.87
Q4 2019/20: 1 Apr - 30 Jun	161.82	169.79	331.61
Q1 2020/21: 1 Jul - 30 Sep	233.77	226.81	460.58
Q2 2020/21: 1 Oct - 31 Dec	273.71	247.51	521.23
Q3 2020/21: 1 Jan – 31 Mar	244.83	232.65	477.48
Q4 2020/21: 1 Apr – 30 Jun	262.78	237.83	500.61
Q1 2021/22: 1 Jul - 30 Sep	173.59	174.90	348.49

Note: The data for the baseline (fuel sold) and this quarter (fuel delivered) is derived from different sources and therefore, particularly for diesel, may not reflect the total volume of fuel delivered inside the scheme area. The fuel volumes include both petrol and diesel (including bio-fuels and ethanol portions).

Figure 1 – Fuel volume delivered inside the scheme area



Fuel delivered outside the scheme

The quarterly and baseline data for fuel volumes delivered outside the scheme area is collected by other government organisations for the whole of New Zealand. To estimate the volume of petrol and diesel fuel distributed outside the scheme area, Waka Kotahi must subtract the scheme area volumes from the total volumes for the entire country. The reported volume includes fuel imports, refining volumes (not exported out of the country) and stock change. The baseline data is calculated similarly but subtracts the LAFT volume sold within the Auckland region (including Great Barrier Island), meaning the baseline is not directly comparable.

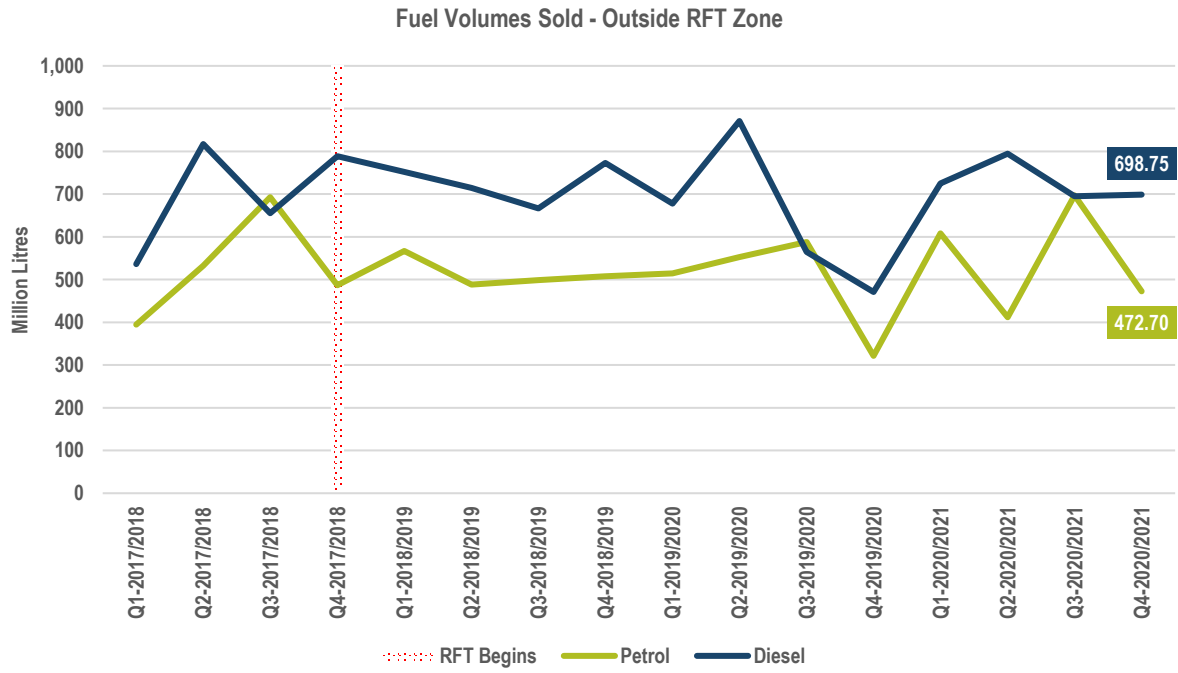
Due to the complexities of how this information is collected, there is a significant delay in obtaining data for quarterly reporting. Since the volume data is delayed and Waka Kotahi is committed to providing this report in a timely manner, fuel volume delivered outside the Auckland scheme area is reported one quarter in arrears.

Table 2 – Fuel volumes delivered outside the scheme area

	Total volume delivered outside the scheme area (million litres)	Total volume delivered outside the scheme area (million litres)	Total volume delivered outside the scheme area (million litres)
	<i>Petrol</i>	<i>Diesel</i>	<i>Petrol + Diesel</i>
Q4 2017/18: 1 Apr - 30 Jun (baseline before RFT implemented)	486.64	788.84	1275.48
Q1 2018/19: 1 Jul - 30 Sep	566.68	752.09	1318.77
Q2 2018/19: 1 Oct - 31 Dec	488.58	714.09	1202.67
Q3 2018/19: 1 Jan - 31 Mar	498.48	666.67	1165.15
Q4 2018/19: 1 Apr - 30 Jun	507.69	777.62	1285.31
Q1 2019/20: 1 Jul - 30 Sep	514.35	678.08	1192.43
Q2 2019/20: 1 Oct - 31 Dec	552.56	870.95	1423.51
Q3 2019/20: 1 Jan - 31 Mar	587.89	564.84	1152.73
Q4 2019/20: 1 Apr - 30 Jun	321.50	470.93	792.43
Q1 2020/21: 1 Jul - 30 Sep	608.06	724.72	1332.78
Q2 2020/21: 1 Oct - 31 Dec	412.16	794.48	1206.64
Q3 2020/21: 1 Jan – 31 Mar	697.00	694.87	1391.87
Q4 2020/21: 1 Apr - 30 Jun	472.70	698.75	1171.45

Note: This information is provided by other government and fuel distribution organisations and reported one quarter in arrears. The fuel volumes include both petrol and diesel (including bio-fuels and ethanol portions).

Figure 2 – Fuel volume delivered outside the scheme area



Fuel prices inside and outside the scheme area

Under section 65Y(3)(b) of the LTMA, Waka Kotahi is required to report information on fuel prices inside and outside the scheme area. To meet this obligation, Waka Kotahi had to identify a source for fuel price reporting in New Zealand. Waka Kotahi used standard procurement processes and Datamine, a third-party provider, was determined to be the most appropriate supplier of fuel price data for this report.

Datamine information is publicly sourced, cleansed and aggregated through robust statistical methodologies prior to being provided to Waka Kotahi. This means the final quality of the dataset cannot be independently verified by Waka Kotahi. The price observations are based on 'board prices' (including GST), which means discounts from individual service stations are included but customer promotions (e.g. discount vouchers and loyalty schemes) are excluded from the dataset.

Table 3 – Median fuel prices by region (NZD cents per litre including GST)

	Baseline (Q4 2017/18) (1 April – 30 June 2018)				Q1 2021/22 (1 July – 30 September 2021)			
	91	95	98	Diesel	91	95	98	Diesel
Auckland	207.90	222.90	226.90	138.90	235.9	254.9	248.7	160.9
Median outside scheme area (for comparison with AKL)	211.90	222.90	226.90	142.90	224.7	240.5	244.7	147.9
Bay of Plenty	206.70	220.90	222.70	135.90	223.9	242.9	241.7	145.9
Canterbury	219.90	226.90	236.90	152.90	222.1	236.9	255.9	143.9
Gisborne	208.00	221.90	227.90	136.90	230.9	247.9	247.7	151.9
Hawke's Bay	205.90	217.90	217.70	135.90	222.9	238.9	236.7	141.9
Manawatū-Whanganui	205.90	219.90	228.70	134.90	220.9	237.9	244.7	145.9
Marlborough	219.90	226.90	235.90	151.90	228.9	240.9		152.5
Nelson	221.90	230.90	238.90	157.90	220.9	236.6		142.9
Northland	212.70	221.90	217.70	141.90	226.7	246.9	241.7	151.7
Otago	219.90	224.90	234.90	152.90	226.9	242.9		146.9
Southland	213.90	219.90		143.90	222.1	236.7		143.9
Taranaki	201.90	214.90	218.70	132.50	226.7	242.9	243.7	147.9
Tasman	219.40	223.90	239.90	152.90	223.9	237.6	249.6	144.9
Waikato	207.90	221.00	224.70	136.90	225.7	243.9	242.2	152.9
Wellington	215.90	226.90	236.90	148.90	228.9	244.9	256.9	153.9
West Coast	223.90	228.90	251.90	155.90	237.9	247.2		155.9

Note: The fuel prices for 91, 95 and 98 octane petrol are recorded where available and blank cells indicate no prices were observed.

Table 4 – Fuel price range by region for Q1 1 July – 30 September 2021 (NZD cents per litre including GST)

	91			95			98			Diesel		
	Lowest	Median	Highest	Lowest	Median	Highest	Lowest	Median	Highest	Lowest	Median	Highest
Auckland	212.50	235.90	259.20	225.50	254.90	282.90	218.10	248.70	284.10	132.00	160.90	190.20
Median outside scheme area <i>(for comparison with AKL)</i>	198.80	224.70	250.80	208.40	240.50	272.00	213.30	244.70	278.50	118.70	147.90	176.90
Bay of Plenty	198.60	223.90	248.50	215.40	242.90	267.40	213.00	241.70	271.60	122.70	145.90	168.90
Canterbury	201.90	222.10	241.90	209.50	236.90	261.00	240.70	255.90	269.00	121.80	143.90	164.40
Gisborne	212.40	230.90	247.90	227.50	247.90	267.50	226.20	247.70	268.50	129.10	151.90	173.10
Hawke's Bay	201.30	222.90	244.10	210.60	238.90	265.90	215.60	236.70	258.00	111.20	141.90	170.70
Manawatū-Whanganui	197.00	220.90	247.00	211.40	237.90	266.40	209.70	244.70	281.60	120.30	145.90	171.80
Marlborough	206.10	228.90	251.10	213.20	240.90	267.70				125.10	152.50	179.40
Nelson	205.20	220.90	235.90	198.00	236.60	269.00				120.70	142.90	165.10
Northland	204.10	226.70	247.90	216.70	246.90	273.80	226.30	241.70	254.20	128.20	151.70	174.20
Otago	196.10	226.90	259.10	208.20	242.90	276.70				116.10	146.90	178.90
Southland	195.00	222.10	251.10	206.70	236.70	265.00				105.80	143.90	178.70
Taranaki	205.20	226.70	245.80	209.60	242.90	272.00	218.00	243.70	270.00	128.50	147.90	165.80
Tasman	206.10	223.90	241.70	202.20	237.60	268.90	248.20	249.60	250.70	123.60	144.90	166.00
Waikato	198.00	225.70	253.80	209.00	243.90	275.20	211.20	242.20	274.90	122.60	152.90	181.10
Wellington	203.70	228.90	253.70	211.70	244.90	276.20	227.70	256.90	279.10	127.10	153.90	179.60
West Coast	203.50	237.90	269.70	197.00	247.20	298.90				118.70	155.90	191.70

Note: The fuel prices for 91, 95 and 98 octane petrol are recorded where available and blank cells indicate no prices were observed.

Figure 3 shows the difference between scheme area fuel prices and the average fuel price nationally outside the scheme area. This report compares average prices inside and outside the scheme area after the RFT implementation.

Figure 3 – Price difference between fuel inside and outside of the scheme area (raw figures)

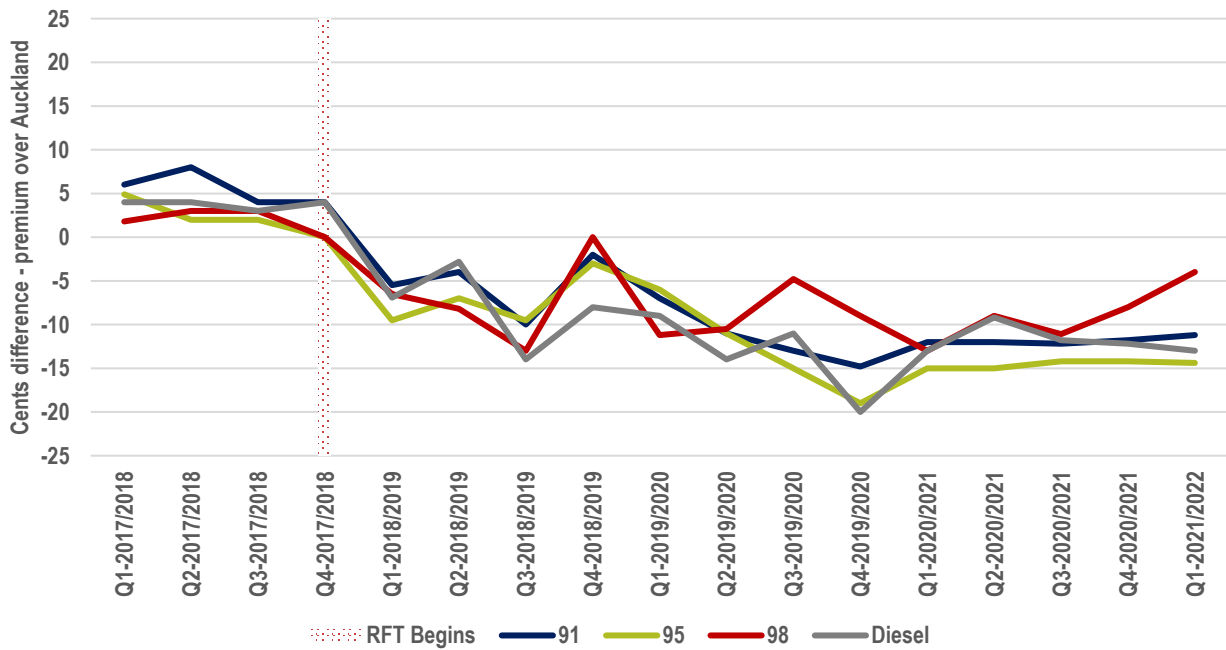


Figure 4 shows the difference between average fuel prices inside and outside the scheme for 91, 95, 98, and diesel fuels when adjusting out the expected 11.5c impact arising from introducing RFT.

Figure 4 – Price difference between fuel inside and outside the scheme area (adjusted figures)

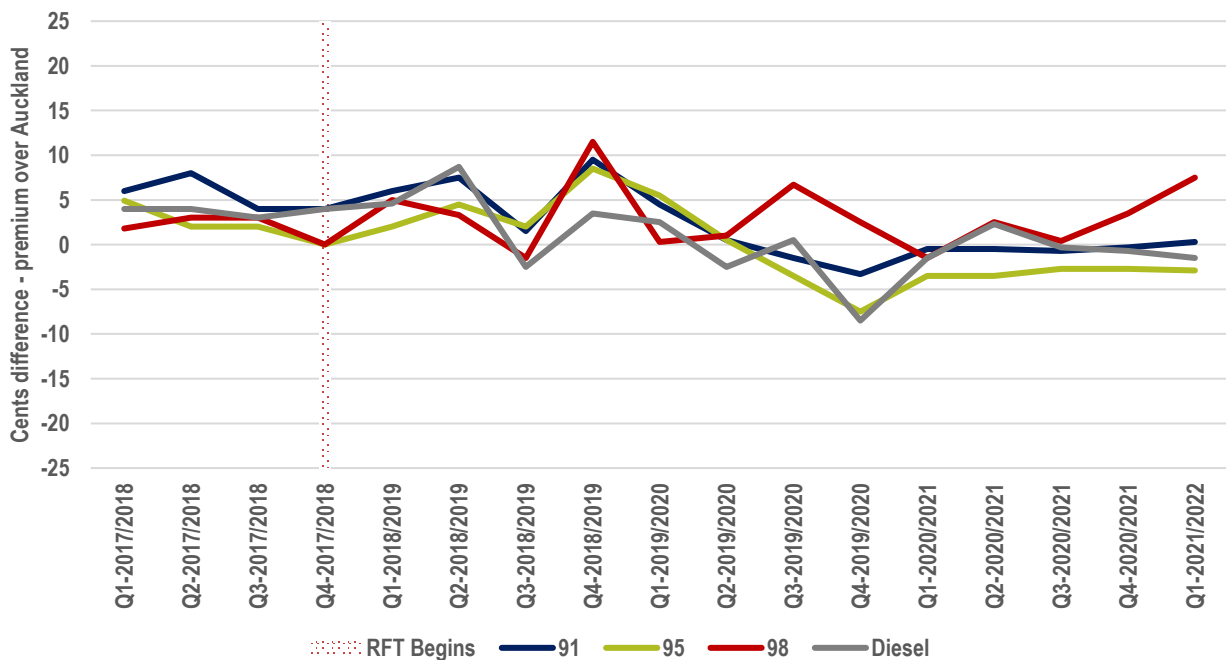


Figure 5 illustrates the difference between 91 petrol fuel prices in the scheme area and other regions.

Figure 5 – Price differences between the scheme area and other regions (raw figures)

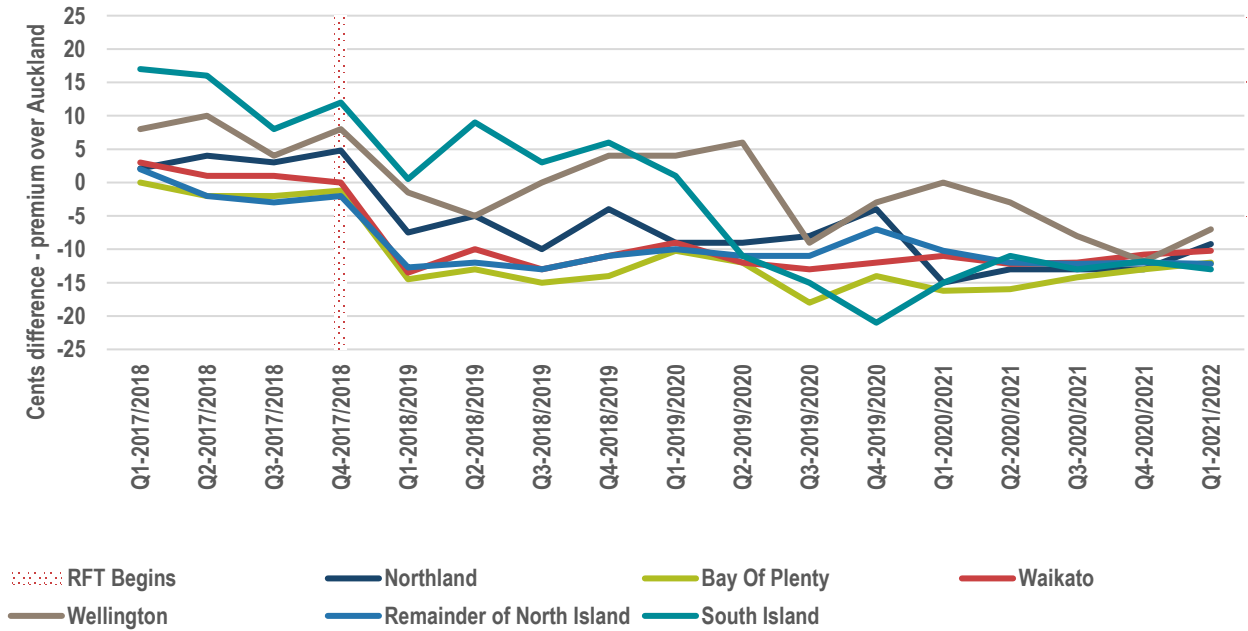
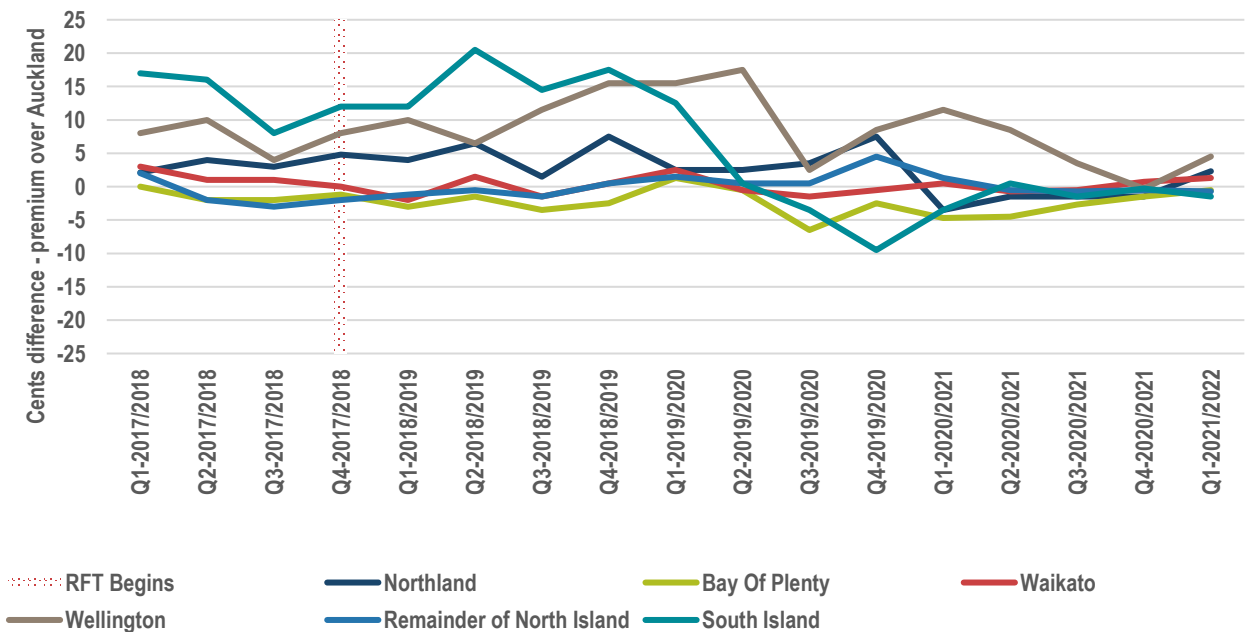


Figure 6 shows the difference between average fuel prices inside and outside of the scheme area for 91 octane petrol in various regions when adjusting out the expected 11.5c impact from the introduction of RFT.

Figure 6 – Price differences between scheme area and other regions (adjusted figures)



Compliance checks

Under section 65Y3(c) and (d) of the LTMA, Waka Kotahi must report information on non-compliance with the RFT scheme and on avoidance of RFT.

Waka Kotahi is guided by Tū ake, tū māia (stand up, stand firm), its regulatory strategy underpinned by good regulatory practice: effective, firm and fair, and a 'real world' regulator.

As the first point of non-compliance checks, Waka Kotahi has developed assessment processes for RFT revenue collection and rebates.

Waka Kotahi is resourced to conduct RFT audits. These audit investigations are to identify avoidance of RFT and non-compliance within the Auckland RFT scheme.

Taxpayer audits are scheduled to review company procedures and fuel management systems (first component). The second component of each of these audits will include an analysis of fuel distribution data and a re-assessment of tax payable if required.

Site exemptions (sites exempt from paying RFT)

This includes site inspections, reports and recommendations upon customer applications for a site exemption, and the renewal/amendment of an approved exempted site.

Audit frequency: As required (referred through RFT assessments or chosen at random).

Scheduled/unscheduled taxpayer (fuel distributor) audits

This includes audits of all regional fuel taxpayers' record-keeping systems and their compliance in reporting and paying RFT.

Audit frequency: Taxpayer audits are completed according to an audit schedule, and as required (referred through RFT assessment processes).

Rebate claim audits

This includes targeted and randomly targeted audits of rebate customers' RFT rebate claims. Waka Kotahi has now collected sufficient data and evidence from rebate claimants to identify targeted audits.

Audit frequency: As required (referred through RFT assessment processes).

Bureau audits

Bureaus are organisations that file rebate claims on behalf of another entity (customer) for a fee. Upon entering into a service agreement with Waka Kotahi, bureaus must undergo an audit of their internal processes and systems. Bureaus are also subject to ongoing regular audits to evaluate compliance and remediation of any issues identified. These include audits of rebate claims submitted.

Audit frequency: As-required (referred through RFT assessment processes).

Table 5 – Scheduled compliance activities

Scheduled compliance activities
<p>Q1 2021/22</p> <p>One exempt site was referred for onsite inspection. This was conducted, and assessed, however the application was declined by Waka Kotahi.</p> <p>Six exempt sites were assessed for renewal, four renewed, one declined, and one withdrawn.</p> <p>A bureau audit, which was expected to be completed in Q1 2021/22, has been completed.</p> <p>An assessment of one new bureau was conducted. The bureau has now been approved.</p> <p>A taxpayer audit, which was postponed due to COVID-19, is expected to be completed in Q2 2021/22.</p> <p>Another taxpayer audit was commenced in Q1 2021/22.</p> <p>An audit advisory letter has been created for all new bureau's, so they fully understand the RFT audit requirements and processes.</p>
<p>Q4 2020/21</p> <p>No exempt sites were referred for onsite inspection. Eight existing exempt sites were renewed.</p> <p>Corrective actions, required by a taxpayer, were completed within Q4 2020/21, as expected from Q3 2020/21.</p> <p>A bureau audit, commenced in Q3 2020/21, is expected to be completed in Q1 2021/22 - further information is being requested by Waka Kotahi.</p> <p>The taxpayer audit, which was postponed due to COVID-19 and re-scheduled to commence in Q4 2020/21, was started.</p>
<p>Q3 2020/21</p> <p>One exempt site was referred for site inspection and the audit report was completed during this quarter. One existing exempt site was renewed.</p> <p>Corrective actions required by a taxpayer are still in the process of being addressed, these are expected to be completed within Q4 2020/21.</p> <p>One rebate claimant was audited for overpayment of rebates. An invoice was issued for the overpaid amount.</p> <p>A bureau audit started in Q3 2020/21; this included a review of their quality management system. This is due to be completed in Q4 2020/21.</p> <p>A rebate claimant audit was completed resulting in a recovery of funds.</p> <p>Education and reminders around fuel delivery addresses have been sent to all RFT taxpayers.</p> <p>A taxpayer audit scheduled was postponed due to COVID-19, this is re-scheduled to commence in Q4.</p>
<p>Q2 2020/21</p> <p>Two exempt sites were referred for site inspection and audit. Three existing exempt sites were renewed.</p> <p>Further discussions have taken place with a taxpayer, resulting in several corrective actions required from the audit findings, being addressed. Outstanding corrective actions are expected to be completed within Q3 2020/21.</p> <p>An audit was completed for a taxpayer. All corrective actions from the audit findings have been addressed.</p> <p>The report and invoice for a taxpayer was issued. There's currently no evidence of other taxpayers not paying for own-use fuel.</p> <p>One rebate claimant was audited for overpayment of rebates. An invoice was issued for the overpaid amount.</p>

Table 6 – Activity of non-compliance and tax avoidance

	Non-compliance	Avoidance
Q1 2021/22	Two taxpayers have been penalised for under reporting tax and have since paid both the under-reported tax and the under-reporting penalty.	No complaints or concerns were raised to Waka Kotahi regarding bringing untaxed fuel into the region.
Q4 2020/21	A taxpayer has been penalised for under-reporting tax and has since paid both the under-reported tax and the under-reporting penalty.	No complaints or concerns were raised to Waka Kotahi regarding bringing untaxed fuel into the region.
Q3 2020/21	A taxpayer has been penalised for under-reporting and has since paid the penalty. Two taxpayers have been penalised for incorrect filing and has since paid the penalty.	No complaints or concerns were raised to Waka Kotahi regarding bringing untaxed fuel into the region Waka Kotahi has been pro-active in mitigating issues around 'ship to' locations. Potential liability for unpaid tax ('own use fuel') is currently under investigation and will continue during 2020/21
Q2 2020/21	A taxpayer has been penalised for incorrect reporting and has since paid the penalty. A taxpayer has been penalised for non-compliance and has since paid the penalty.	No complaints or concerns were raised to Waka Kotahi regarding bringing untaxed fuel into the region.

Definitions

The following definitions are Waka Kotahi's interpretation of non-compliance and avoidance when specifically referring to section 65Y3(c) and (d).

- **Non-compliance:** includes any act or omission by any person subject to obligations under an RFT scheme that results in the person failing to comply with any of their obligations under the RFT provisions of the LTMA and its regulations.
- **Avoidance:** includes any act or omission by any person subject to obligations under an RFT scheme that results in the person avoiding (or attempting to avoid) RFT, where Waka Kotahi considers on reasonable grounds that the act or omission was deliberate or fraudulent in nature.