



# REGIONAL FUEL TAX FOURTH QUARTER REPORT

01 April – 30 June 2020

WAKA KOTAHI NZ TRANSPORT AGENCY

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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 that was 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. The New Zealand 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 the Transport Agency's quarterly reporting requirement under section 65Y(3) of the Land Transport Management Act 2003 (LTMA). The Transport Agency is required to report to the Minister on a quarterly basis and publish this information online.

RFT Quarterly reporting periods for 2019/20 financial year are:

- Q1 2019/20: 1 July – 30 September
- Q2 2019/20: 1 October – 31 December
- Q3 2019/20: 1 January – 31 March
- Q4 2019/20: 1 April – 30 June

This report relates to the fourth quarter (Q4).

This reporting period includes the application of the COVID-19 Alert Levels 2-4, which placed restrictions on personal travel. This report clearly shows the impact of the lockdown on fuel distributed in the Auckland scheme area, with significant decreases in the volume distributed. Non-Auckland volume data is collected and reported one quarter in arrears, and so will not be affected. It is anticipated that in the next quarterly report the impact will be shown, if any.

The trends seen in this report are largely in response to the imposition of COVID-19 lock down from 25 March 2020. This resulted in significant changes in travel behaviour as New Zealand proceeded through the alert levels 4, 3, and 2, returning to Alert Level 1 on 8 June 2020

# EXECUTIVE SUMMARY

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

## Volume

- The *petrol* volume distributed within the scheme area for Q4 2019/20 has decreased against petrol volumes for all previous quarters and is the lowest since volumes have been reported from the original baseline (Q4 2017/18). The change in Q4 relates primarily to COVID-19 lockdown.
- *Diesel* volumes distributed within the scheme area for Q4 2019/20 have significantly decreased since Q3 2019/20, when the highest reported volumes were recorded. The volume in Q4 2019/20 is the lowest recorded since the original baseline (Q4 2017/18).
- The volume of *petrol* distributed outside the scheme area again increased in Q3 2019/20 (latest quarter where data is available) compared to previous quarters. Petrol volumes outside the scheme area have also been trending upwards since the baseline.
- *Diesel* volumes distributed outside the scheme area have decreased significantly in Q3 and are the lowest recorded volumes since the baseline. In Q2 2019/20 the reported volumes were the highest on record.

## Price

- Median prices inside the scheme area for 91 octane petrol have decreased this quarter by 14 cents compared to the original baseline in Q4 2017/18. When comparing this quarter to Q3 2019/20 this represents a decrease of 30 cents. This change in Q4 relates primarily to COVID-19 lockdown.
- Median prices outside the scheme area for 91 octane petrol have decreased since Q4 2017/18 by 32.8 cents. When comparing the last quarter (Q3 2019/20) to the original baseline there was only a one cent decrease, hence there has been a dramatic decrease from Q3 2019/20 to Q4 2019/20.
- Fuel prices continue to differ across the country. This quarter Nelson and Canterbury recorded the lowest 91 octane petrol prices across the country, both at 170.9 cents.
- Last quarter Wellington saw a substantial decrease from 230.9 cents in Q2 2019/20 to 214.9 cents in Q3 2019/20 for 91 octane petrol. This quarter the price of 91 octane petrol in Wellington continued to drop, down to 190.9 cents, however, Wellington still records the highest price for 91 octane petrol outside the scheme area.

## Compliance and Exemptions

- No complaints or concerns were raised to Waka Kotahi regarding bringing untaxed fuel into the region.
- A reminder letter in regard to Taxpayer requirements for “own use fuel” was sent out, following concerns that all Taxpayer’s may not be adhering to their obligations.
- No exempt sites were referred for inspection. Seven existing exempt sites were renewed.

## Fuel delivered inside the scheme

The quarterly data for the volume of fuel delivered inside the scheme is collected from regional fuel taxpayers' monthly returns, which are a requirement 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 sufficiently 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**

Quarter	Total volume delivered inside the scheme area (million litres)		Total volume inside delivered the scheme (million litres) Petrol + Diesel
	Petrol	Diesel	
Baseline before RFT implemented (Auckland region) Q4 2017/18: 1 Apr–30 Jun 2018	269.15	175.80	<b>444.95</b>
Quarter 1 (RFT Auckland scheme area) Q1 2018/19: 1 Jul–30 Sep 2018	261.32	190.70	<b>452.02</b>
Quarter 2 (RFT Auckland scheme area) Q2 2018/19: 1 Oct–31 Dec 2018	280.11	223.14	<b>503.25</b>
Quarter 3 (RFT Auckland scheme area) Q3 2018/19: 1 Jan–31 Mar 2019	269.16	226.21	<b>495.37</b>
Quarter 4 (RFT Auckland scheme area) Q4 2018/19: 1 Apr–30 Jun 2019	266.57	215.16	<b>481.73</b>
Quarter 1 (RFT Auckland scheme area) Q1 2019/20: 1 Jul–30 Sep 2019	264.69	204.29	<b>468.98</b>
Quarter 2 (RFT Auckland scheme area) Q2 2019/20: 1 Oct–31 Dec 2019	277.34	229.24	<b>506.58</b>
Quarter 3 (RFT Auckland scheme area) Q3 2019/20: 1 Jan–30 Mar 2020	255.53	242.34	<b>497.87</b>
Quarter 4 (RFT Auckland scheme area) Q4 2019/20: 1 Apr–30 Jun 2020	161.82	169.79	<b>331.61</b>

Note: The data for the baseline (fuel sold) and quarter 4 2019/20 (fuel delivered) is derived from different sources and therefore, particularly in regard to 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).

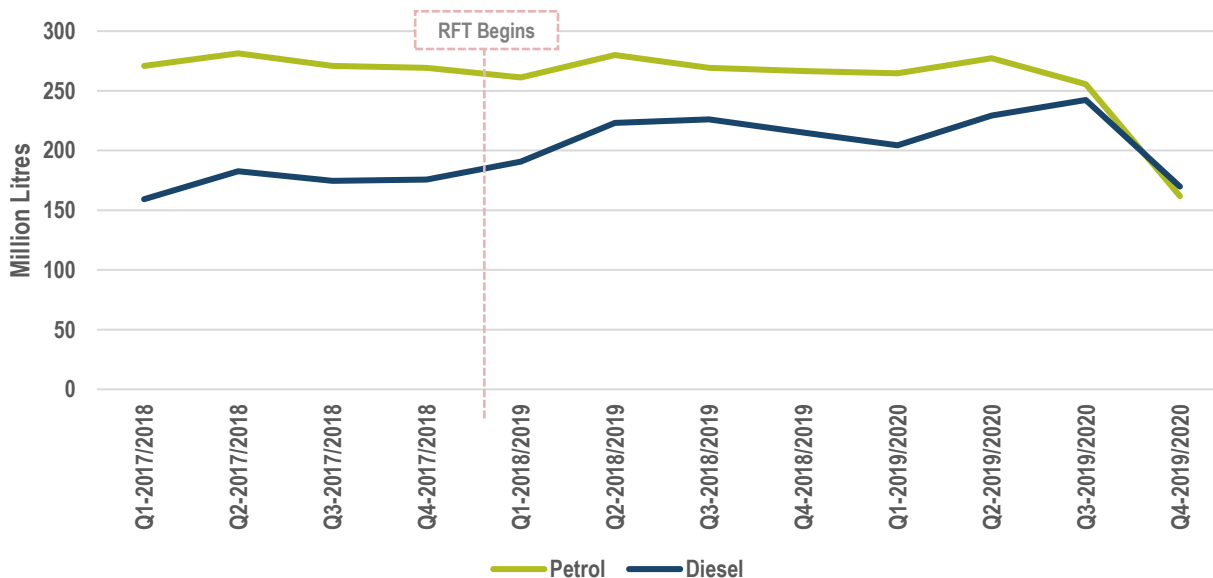


Figure 1 – Change in fuel volume delivered inside the scheme area

## Fuel delivered outside the scheme

The quarterly and baseline data for fuel volumes delivered outside the scheme is collected by other government organisations for the whole of New Zealand. To approximate the volume of petrol and diesel fuel distributed outside the scheme area, the Transport Agency 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 the Transport Agency is committed to providing this report in a timely manner, fuel volume delivered outside the Auckland scheme area will be reported one quarter in arrears for all RFT quarterly reports.

Table 2 – Fuel volumes delivered outside the scheme area

Quarter	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)
Q4 2017/18: 1 Apr – 30 Jun 2018	486.64	788.84	<b>1275.48</b>
Q1 2018/19: 1 Jul – 30 Sep 2018	566.68	752.09	<b>1318.77</b>
Q2 2018/19: 1 Oct – 31 Dec 2018	488.58	714.09	<b>1202.67</b>
Q3 2018/19: 1 Jan – 31 Mar 2019	498.48	666.67	<b>1165.15</b>
Q4 2018/19: 1 Apr – 30 Jun 2019	507.69	777.62	<b>1280.31</b>
Q1 2019/20: 1 Jul – 30 Sep 2019	514.35	678.08	<b>1192.43</b>
Q2 2019/20: 1 Oct – 31 Dec 2019	552.56	870.95	<b>1423.51</b>
Q3 2019/20: 1 Jan – 31 Mar 2020	587.89	564.84	<b>1152.73</b>

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).

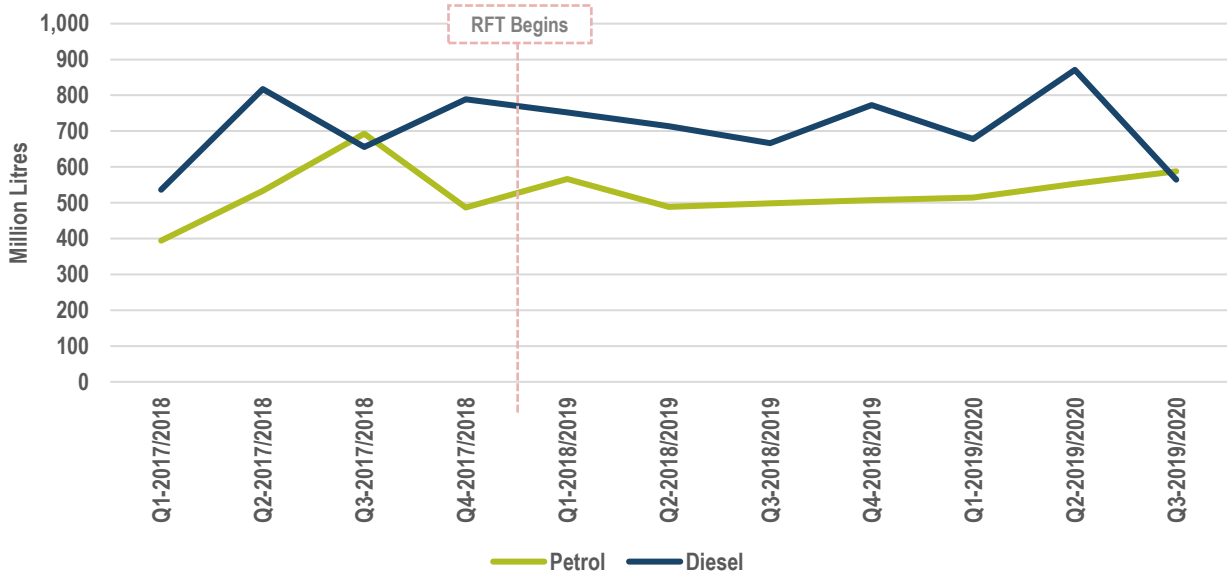


Figure 2 – Change in fuel volume delivered outside the scheme area



## FUEL PRICES INSIDE AND OUTSIDE THE AREA

Under section 65Y(3)(b) of the LTMA, the Transport Agency is required to report information on fuel prices inside and outside the scheme area. To meet this obligation, the Transport Agency had to identify a source for fuel price reporting in New Zealand. The Transport Agency 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 the Transport Agency. This means the final quality of the dataset cannot be quantified by the Transport Agency. The price observations are based on 'board prices', which means discounts from individual service stations are included but customer promotions (eg discount vouchers and loyalty schemes) are excluded from the dataset.

**Table 3 – Average fuel prices by region (NZD cents per litre)**

Region	Baseline				Q4 2019/20			
	(1 April – 30 June 2018)				(1 April – 30 June 2020)			
Fuel type	91	95	98	Diesel	91	95	98	Diesel
<b>Auckland</b>	207.90	222.90	226.90	138.90	193.9	210.9	223.9	127.9
<b>Average outside scheme area</b>	211.90	222.90	226.90	142.90	179.1	191.9	214.9	107.9
Bay of Plenty	206.70	220.90	222.70	135.90	179.9	201.9	218.9	114.9
Canterbury	219.90	226.90	236.90	152.90	170.9	183.7	195.9	98.9
Gisborne	208.00	221.90	227.90	136.90	186.9	206.9	189.7	117.9
Hawke's Bay	205.90	217.90	217.70	135.90	171.9	187.7	177.7	99.7
Manawatū-Whanganui	205.90	219.90	228.70	134.90	189.9	206.9	218.9	120.9
Marlborough	219.90	226.90	235.90	151.90	171.9	180.9	200.9	107.9
Nelson	221.90	230.90	238.90	157.90	170.9	187.9	189.9	103.9
Northland	212.70	221.90	217.70	141.90	189.9	208.7	186.7	124.9
Otago	219.90	224.90	234.90	152.90	182.7	189.9	201.9	108.7
Southland	213.90	219.90		143.90	173.9	184.9	193.9	100.9
Taranaki	201.90	214.90	218.70	132.50	186.9	204.9	209.9	121.9
Tasman	219.40	223.90	239.90	152.90	172.9	180.9	187.9	103.7
Waikato	207.90	221.00	224.70	136.90	181.9	197.9	216.9	120.9
Wellington	215.90	226.90	236.90	148.90	190.9	208.9	215.9	126.9
West Coast	223.90	228.90	251.90	155.90	186.9	195.9	201.9	128.9

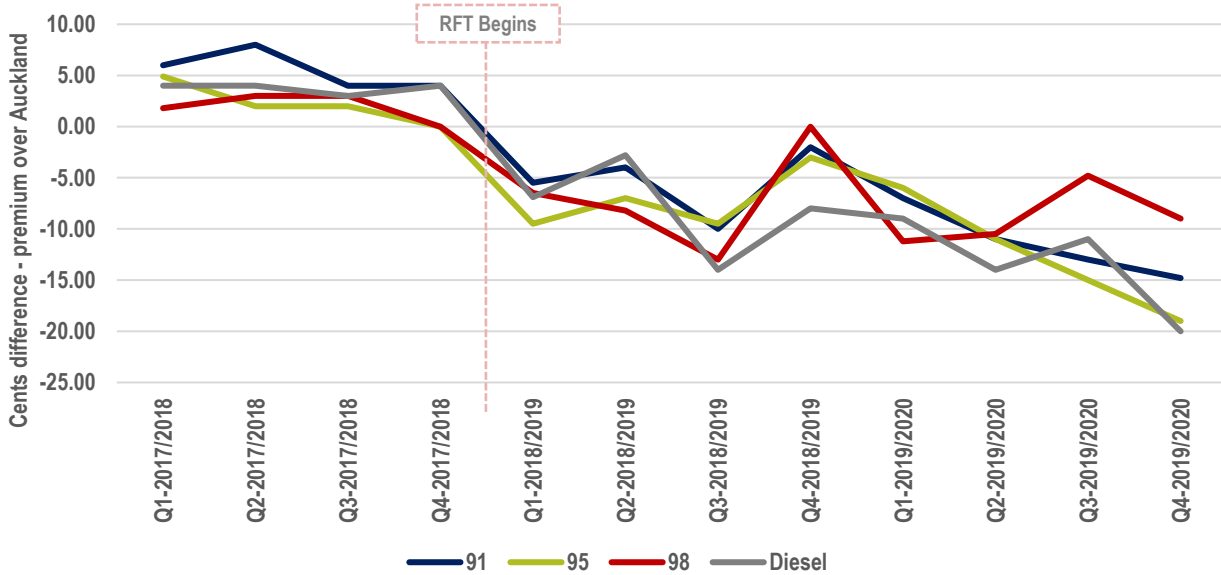
Note: The fuel prices for 91, 95 and 98 octane petrol are recorded where available, and the blank cells indicate no prices were observed.

**Table 4 – Fuel price range by region for Q4 1 April – 30 June 2020 (NZD cents per litre)**

Fuel type Region	91			95			98			Diesel		
	Lowest	Median	Highest	Lowest	Median	Highest	Lowest	Median	Highest	Lowest	Median	Highest
Auckland	173.30	193.90	215.30	185.00	210.90	241.60	173.90	223.90	262.50	104.90	127.90	152.70
Overall outside scheme area	147.90	179.10	210.90	151.70	191.90	235.30	167.40	214.90	248.50	70.70	107.90	148.60
Bay of Plenty	156.10	179.90	203.70	173.80	201.90	226.30	175.10	218.90	249.60	99.80	114.90	131.00
Canterbury	147.50	170.90	195.30	151.90	183.70	217.30	155.20	195.90	250.20	77.60	98.90	119.50
Gisborne	176.30	186.90	196.30	199.20	206.90	212.60	177.20	189.70	207.20	114.10	117.90	123.20
Hawke's Bay	151.90	171.90	191.80	149.00	187.70	240.60		177.70		75.90	99.70	123.50
Manawatū-Whanganui	168.40	189.90	207.20	188.60	206.90	227.60	188.60	218.90	243.80	102.60	120.90	138.50
Marlborough	157.90	171.90	190.30	160.20	180.90	210.60	170.20	200.90	240.10	91.20	107.90	125.70
Nelson	153.60	170.90	190.20	145.10	187.90	239.90	178.70	189.90	202.00	88.10	103.90	119.30
Northland	170.70	189.90	211.30	189.00	208.70	230.20	176.10	186.70	198.80	102.80	124.90	148.40
Otago	158.40	182.70	209.50	158.10	189.90	223.10	175.20	201.90	230.50	74.10	108.70	146.70
Southland	152.20	173.90	200.60	163.10	184.90	209.50	182.80	193.90	208.40	80.90	100.90	122.50
Taranaki	172.70	186.90	200.90	185.90	204.90	226.90	198.20	209.90	226.90	107.00	121.90	134.80
Tasman	148.60	172.90	201.00	164.50	180.90	196.30	174.40	187.90	203.90	84.30	103.70	121.10
Waikato	157.30	181.90	208.40	166.90	197.90	231.30	180.80	216.90	246.00	98.40	120.90	142.00
Wellington	164.90	190.90	217.00	185.10	208.90	231.80	192.00	215.90	235.60	94.40	126.90	155.60
West Coast	155.70	186.90	220.50	179.90	195.90	207.00	189.00	201.90	214.20	98.10	128.90	162.60

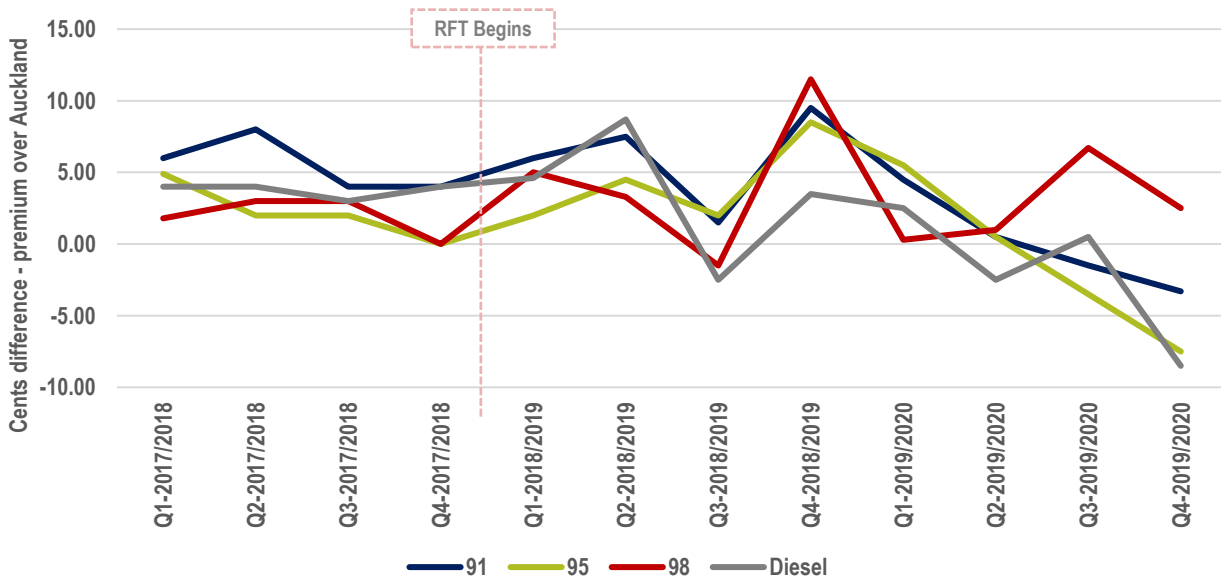
Note: Blank cells indicate no prices were observed.

Figure 3 shows the difference between scheme area fuel prices and the average fuel price nationally outside the scheme area. The baseline shows that historically (April - June 2018), the median fuel prices outside of the scheme area were higher for all 91-octane petrol and diesel and the same for premium petrol. This report compares average prices inside and outside the scheme area after its 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 scheme area and other regions. The graph shows the regions bordering the scheme area, as they are likely to be affected by price differences; Wellington; the remainder of the North Island and the South Island. During the quarter immediately before the RFT scheme took effect, the median prices in Northland, Wellington, and South Island were higher than in Auckland but were lower than Auckland in the Bay of Plenty and remainder of the North Island, and the same in Waikato. Once the scheme took effect, only the median price in the South Island remained higher than in Auckland.

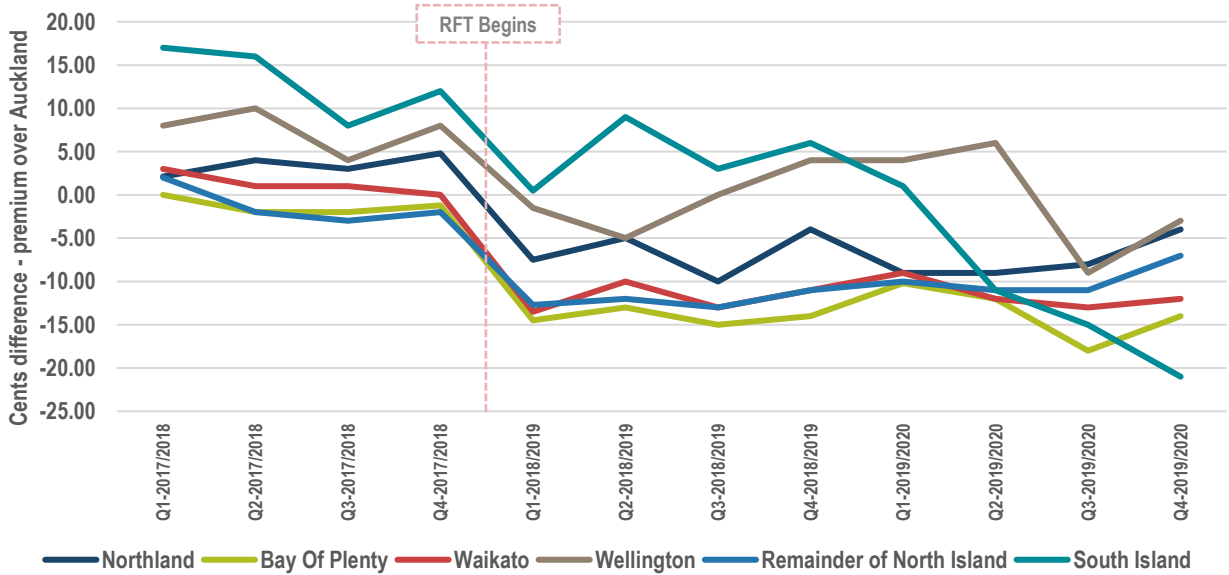


Figure 5 – Price differences between scheme area and other regions (raw figures)

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.

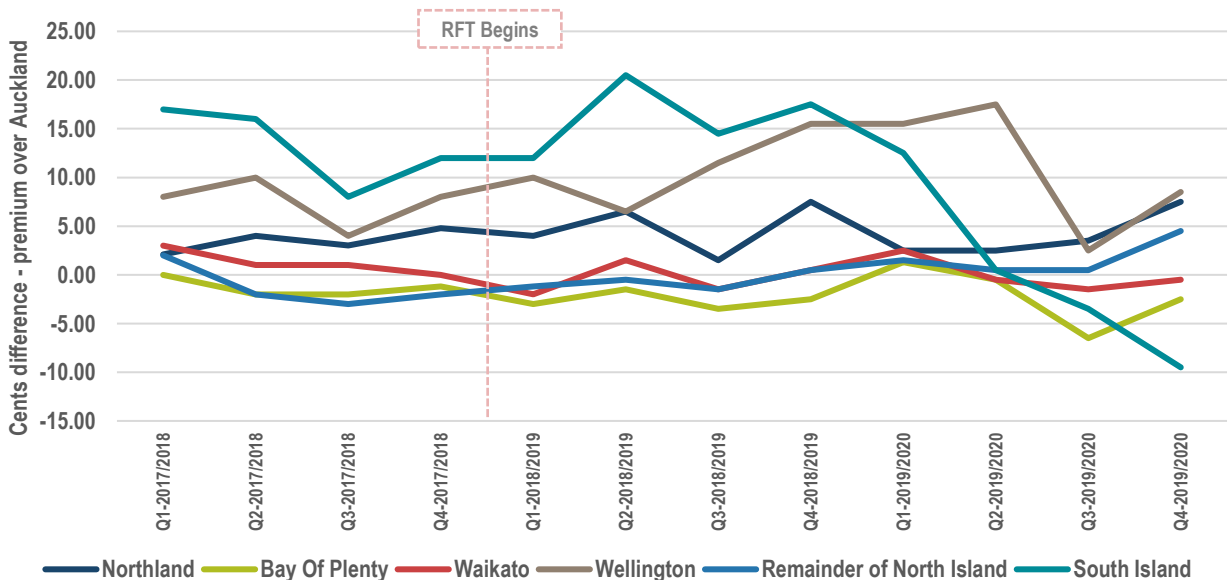


Figure 6 – Price differences between scheme area and other regions (adjusted figures)

# COMPLIANCE CHECKS

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

We are guided by Tū ake, tū māia (stand up, stand firm), the regulatory strategy we adopted in May 2020 as we endeavour to be the best regulator we can be. Our purpose is to ensure the transport system is safe, effective, efficient and functions well for everyone in New Zealand. Our strategy is underpinned by good regulatory practice: effective, firm and fair, 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. COVID-19 restrictions have temporarily altered the way Waka Kotahi conduct audits. Where practical, engagements with regulated parties will now be conducted remotely.

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 will be completed according to a planned 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 which 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 on-going 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 from 01 January – 30 June 2020**

Quarter	Scheduled compliance activities
Q3 2019/20	<p>No exempt sites were referred for inspection. One existing exempt site was renewed.</p> <p>The first bureau audit started in Q3 2019/20, which included a site visit and Quality Management System analysis. It is due to be issued in Q4 2019/20.</p> <p>A scheduled taxpayer audit was due to commence in Q3 2019/20. Due to COVID-19 restrictions, the site visit and records analysis will now commence in Q4 2019/20.</p>
Q4 2019/20	<p>No exempt sites were referred for inspection. 7 existing exempt sites were renewed.</p> <p>The first bureau audit was completed; the report was issued in Q4 2019/20.</p> <p>The second audit component for Taxpayer (3) (refer table 6) was completed, with the audit findings report also sent in Q4 2019/20.</p> <p>A virtual site meeting for the scheduled taxpayer audit was completed in Q4 2019/20 and record analysis has commenced.</p> <p>Letters were sent reminding all Taxpayers to pay regional fuel tax for fuel that is transferred into a fuel tank of the taxpayer's own vehicles or equipment following concerns that all Taxpayers may not be adhering to their obligations.</p>

**Table 6 – Activity of non-compliance and tax avoidance from 01 July 2019 – 30 June 2020**

Quarter	Non-compliance	Avoidance
Q1 2019/20	<p>Following an investigation of the processes of a Regional Fuel Taxpayer regarding the delivery, application and collection of non-exempt fuel, an incorrect filing penalty was issued to the taxpayer. The Transport Agency is confident that the penalty covered all unpaid revenue from this process.</p> <p>It was determined that the return submitted by Taxpayer (6) did not comply with section 65V of the Land and Transport Management Act, and a penalty was raised.</p> <p>Late submission of RFT returns by Taxpayer (7) resulted in a late submission penalty. The return has since been filed.</p> <p>Late payment penalties were issued to Taxpayers (8 and 9) for late payment of RFT.</p>	<p>Taxpayer (3) continues to be under investigation. Information gathering and risk area identification was completed in quarter one. An audit will be completed in quarter two.</p> <p>Taxpayer (4) has since paid RFT for the under-reported litres and the subsequent penalty that was issued.</p> <p>It was confirmed that Taxpayer (5) correctly determined RFT liability.</p>
Q2 2019/20	<p>Taxpayer (6) has since paid the non-compliance penalty.</p> <p>Taxpayer (7) has since paid the late submission penalty.</p> <p>Taxpayers (8 and 9) have since paid the late payment penalties.</p> <p>No further non-compliance was identified during Q2.</p>	<p>Taxpayer (3) was audited based on their procedures and fuel management systems. This was completed on 20 December 2019. As a result of delays from taxpayer (3) and audit results, an additional audit into their fuel delivery data is underway. This is scheduled to be completed during Q3 2019/20.</p>
Q3 2019/20	<p>A late payment penalty was issued to one Taxpayer (10) for the late payment of RFT. The penalty has since been paid.</p>	<p>The second component of the audit for Taxpayer (3) ran through Q3 2019/20. The report is due to be released during Q4 2019/20.</p>
Q4 2019/20		<p>No complaints or concerns raised to Waka Kotahi regarding bringing untaxed fuel into the region.</p> <p>Waka Kotahi have been pro-active in mitigating unreported “own use fuel”. Potential liability for unpaid tax (“own use fuel”) is currently under investigation and will continue during 2020/21.</p>

## DEFINITIONS

The following definitions are the Transport Agency'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 the Transport Agency considers on reasonable grounds that the act or omission was deliberate or fraudulent in nature.