

OC241435

17 January 2025

Tēnā koe

I refer to your email dated 9 December 2024, requesting the following briefings under the Official Information Act 1982 (the Act):

- *“The August 6, 2024 document “Public Transport Policies Direction”, reference number OC240457*
- *The August 7, 2024 document “Seeking Direction on the New Speed Rule Post Consultation”, reference number OC240892*
- *The August 8, 2024 document “Review of NZTA’s Short-Term Borrowing Facility”, reference number OC240772*
- *The August 13, 2024 document “Meeting with Hon Judith Collins on Digital Driver Licences”, reference number OC240950 / BRI-3134*
- *The August 14, 2024 document “Aide Memoire: Road User Charge - Advice Following Rapid Review of Administration Fee Revenue”, reference number OC240917*
- *The September 4, 2024 document “New Zealand Transport Agency: Monitoring Plan”, reference number OC241012*
- *The September 13, 2024 document “Aide Memoire: ERP2 Transport Chapter - Options for Further Content”, tracking number OC241076*
- *The September 20, 2024 document “Climate Priorities Ministerial Group 23 September 2024 Meeting”, tracking number OC241087*
- *The September 25, 2024 document “Aide Memoire: Transport Chapter Update for Final ERP2”, tracking number OC241116”*

Of the nine briefings requested, one is released with some information withheld, two are withheld and six are refused.

The document schedule at Annex 1 details how the briefings have been treated. The following sections of the Act have been used:

- 9(2)(a) to protect the privacy of natural persons
9(2)(ba)(i) to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- 9(2)(f)(iv) to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
- 9(2)(g)(i) to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
- 18(d) the information requested is or will soon be publicly available

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz.

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry's website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Hilary Penman
Manager Accountability & Correspondence

Annex 1 - Document Schedule

Doc#	Reference	Document	Decision on release
1	OC240457	Public Transport Policies Direction	Refused under section 18(d). This briefing can be found from page 37 of this link: https://www.transport.govt.nz/assets/Uploads/ElevenBriefingsfromAugustandSeptember2024.pdf
2	OC240892	Seeking Direction on the New Speed Rule Post Consultation	Refused under section 18(d). This is one of a tranche of papers relating to the speed rule that is being prepared for proactive release. When published, it will be available here: https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm
3	OC240772	Review of NZTA's Short-Term Borrowing Facility	Withheld in full under section 9(2)(f)(iv).
4	OC240950/ BRI-3134	Meeting with Hon Judith Collins on Digital Driver Licences	Withheld in full under section 9(2)(f)(iv).
5	OC240917	Aide Memoire: Road User Charge - Advice Following Rapid Review of Administration Fee Revenue	Released with some information withheld under sections 9(2)(a), 9(2)(ba)(i), 9(2)(f)(iv) and 9(2)(g)(i).
6	OC241012	New Zealand Transport Agency: Monitoring Plan	Refused under section 18(d). This briefing can be found from page 4 of this link: https://www.transport.govt.nz/assets/Uploads/NineBriefingsfromAugustandSeptember2024.pdf
7	OC241076	Aide memoire: ERP2 transport chapter - options for further content	Refused under section 18(d). This briefing can be found from page 67 of this link: https://www.transport.govt.nz/assets/Uploads/ElevenBriefingsfromAugustandSeptember2024.pdf
8	OC241087	Climate Priorities Ministerial Group 23 September 2024 meeting	Refused under section 18(d). This briefing can be found from page 69 of this link: https://www.transport.govt.nz/assets/Uploads/ElevenBriefingsfromAugustandSeptember2024.pdf

Doc#	Reference	Document	Decision on release
9	OC241116	Aide Memoire: Transport chapter update for final ERP2	<p>Refused under section 18(d).</p> <p>When published, the briefing will be available here: https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm</p>

14 August 2024

Hon Simeon Brown

Minister of Transport

AIDE MEMOIRE: ROAD USER CHARGE – ADVICE FOLLOWING RAPID REVIEW OF ADMINISTRATION FEE REVENUE

To: Hon Simeon Brown, Minister of Transport

From: David Wood, Deputy Chief Executive, Ministry of Transport

Date: 14 August 2024

OC Number: OC240917

Purpose

1 The purpose of this aide memoire is to provide further information on how the New Zealand Transport Agency (NZTA) spends revenue generated from the Road User Charges (Administration Fees) Regulations 2023.

2 s 9(2)(f)(iv)

3 In addition to providing a high-level breakdown of NZTA's regulatory cost allocation model, this aide memoire also includes information on the total costs and fiscal risks associated with delivery of NZTA's regulatory functions tracked through various memorandum accounts.

2023 changes to land transport regulatory fees, charges and funding

4 Following NZTA's 2018 regulatory failure, NZTA was provided with access to \$95 million in Crown loans to stabilise and start to rebuild its regulatory function, while a review of its land transport regulatory fees, charges and funding took place. NZTA has drawn down \$60 million against this debt facility to support the rebuild of its regulatory function to date. The review of NZTA's land transport regulatory fees, changes and funding was wide ranging and involved a complete reset of NZTA's cost allocations and cost recovery basis.

5 Following completion of NZTA's regulatory funding review in 2023, total funding for NZTA's regulatory function was increased from \$185.5 million in the 2022/23 financial year to \$264.6 million per annum. Funding was increased to strengthen the NZTA's

regulatory function, increase regulatory activities, address past and future inflation, and to replace and repay the Crown loans.

Road User Charges (Administration Fees) Regulations 2023

- 6 The Road User Charges (Administration Fees) Regulations 2023 (the administration fees) came into effect on 1 October 2023. This followed public consultation on a range of changes to NZTA’s service delivery fees, which took place between April and May 2022, as part of the funding review.
- 7 The new regulations reduced some fees and increased others, matching fees and charges to the estimated costs of providing the service. The fee for purchasing RUC licences and therefore the amount of revenue generated through the RUC administration fee, was one of the items that increased.
- 8 Across the four main RUC purchase methods which generate most of the revenue, rates per transaction previously ranged from \$1.83 to \$6.78, and subsequently increased to rates ranging from \$5.48 to \$15.12 (all GST exclusive). NZTA expects total revenue generated through the RUC administration fee will increase from \$17.9 million to \$30 million annually.

Table 1: Changes in the transaction costs to purchase RUC¹

Purchase method	Administration fee (2014 regulations)	Administration fee (2023 regulations)
Face-to-face	\$6.78	-
Digital self-service (electronic service provider)	\$1.83	-
Digital self-service (the Internet)	\$4.17	-
Digital self-service (truck stop)	\$5.39	-
Any other digitally assisted means	\$7.50	-
Motor vehicle industry agent or approved electronic system provider/Direct Connect	-	\$5.48
Agent	-	\$11.78
Telephone/fax	-	\$15.12
Online	-	\$10.82

How NZTA allocates RUC administration fee revenue to the costs of maintaining and delivering the RUC system and its wider organisational costs

- 9 Ministry officials have worked closely with NZTA over the past month to understand, in as much detail as possible, how NZTA revenue generated by the RUC administration fee is allocated to business costs.

¹ All figures exclude GST – note the purchase method descriptions changed between the 2014 regulations and the 2023 regulations, so are not directly comparable.

10 s 9(2)(ba)(i)

11 The full costs of service are then recovered through fees, charges and other funding sources – including contributions made through Section 9(1A)² of the Land Transport Management Act 2003.

Indirect regulatory costs

12 NZTA has advised that certain costs for the organisation cannot be directly attributed to a specific service – the indirect regulatory costs. These indirect costs are comprised of shared regulatory operating costs and corporate overheads – as outlined below in Table 2.

13 NZTA has stated that some of these costs could be moved into direct costs if there was a more precise attribution method – such as charging all postage costs – which are several million dollars – to each product line as a direct cost rather than a shared regulatory cost.

14 NZTA notes that these sorts of costs and the lack of an easy and efficient method of allocation have the effect of overstating the “overhead” costs and understating the “direct costs.”

Table 2: Description of direct and indirect regulatory costs

NZTA regulatory fees (including RUC fees)		
Direct regulatory product or service costs	Indirect regulatory costs	
	Shared regulatory operating costs	Corporate overheads
Agent commissions for facilitating RUC licence purchases	Software and hardware costs to maintain the motor vehicle (including RUC) and driver licence registers and other regulatory technology platforms	Cost of the (corporate) technology platforms (desktop environment, cyber-security, depreciation etc.)
Direct staff costs	Risk and assurance related to challenges in the regulatory system	Office rentals and operating costs, including depreciation
Commission fees payable to agents for providing over the counter services	Call centre costs for customers engaging directly with regulatory services	Human resources, finance, etc.

² Section 9(1A) of the Land Transport Management Act 2003 allows the Crown to incur expenses or capital expenditure in a financial year to fund the Agency’s (NZTA) regulatory functions and the Ministry of Transport’s associated monitoring functions.

Costs associated with payment methods	Data analytics and intelligence	
Costs to print and post RUC labels to customers	Costs of engaging with the public and interest groups	
	Regulatory operational policy and practice costs, including staff costs	

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s 9(2)(ba)(i)



16 NZTA considers that unit-based transactional costings are a well-established costing allocation methodology, which helps to avoid surprises to its regulatory memorandum accounts.

Contribution of RUC administration fee revenue to indirect regulatory costs

s 9(2)(ba)(i)



NZTA's regulatory memorandum accounts remain in deficit

- 18 NZTA has advised that, despite the significant increase in revenue and funding to deliver its regulatory services over the past five years, four of the seven regulatory memorandum accounts are in deficit as of 30 June 2024. This calculation is based off nine months of the new, significantly higher fees and charges applying.
- 19 Since 1 October 2023 (when the new fee regime came into effect), the combined regulatory memorandum accounts generated a \$2 million surplus, which is insufficient to repay the earlier Crown loans to support its regulatory function, at the anticipated rate.³
- 20 Across all regulatory products and services grouped into regulatory memorandum accounts,⁴ which generated \$235.3 million in revenue in the 2023/24 financial year, total costs to deliver these regulatory functions, including the holding of \$10.4 million for repayment of Crown loans, were \$245.3 million⁵ (i.e. a deficit of \$10 million).
- 21 NZTA advises that the reasons for the regulatory memorandum account deficit are:
- 21.1 significant additional costs for driver testing commissions to provide the free driver licencing test re-sites and additional resources allocated to reducing wait times;
 - 21.2 non-funded policy work – such as integrating Electric Vehicles into the RUC system and the fleetwide transition to RUC;
 - 21.3 under-recovery for number plates; and
 - 21.4 lower than expected revenue from third parties accessing the motor vehicle register.

s 9(2)(g)(i)

³ The Crown loans are repayable ten years from drawdown, with interest payable twice a year.

⁴ Border Inspection, Certification Reviews, Dangerous Goods, Driver Licensing and Driver Testing, Motor Vehicle Licensing, Rail Operator Licensing, RUC Collections, and Transport Licensing, including Dangerous Goods.

⁵ Payments of \$10.44 million were included in the regulatory memorandum accounts for repayment of Crown loans

s 9(2)(g)(i)

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Options to address regulatory memorandum account deficit

s 9(2)(f)(iv) and s 9(2)(g)(i)

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RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Contacts

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David Wood, Deputy Chief Executive, Investment and Monitoring	s 9(2)(a)	
Tim Herbert, Manager, Investment		✓
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