

Chair
Cabinet Economic Growth and Infrastructure Committee

LAND TRANSPORT DRIVER LICENSING REVIEW

Proposal

1. I propose that the Committee agree to a number of amendments to the Land Transport (Driver Licensing) Rule 1999 (the Rule) that are designed to improve the efficiency of the New Zealand driver licensing system and support a more productive commercial driving sector, while maintaining road safety.
2. The driver licensing system is fundamental to a productive transport sector and road safety. Amendments to the system are proposed in four areas:
 - i. moving to a digital licensing environment by removing the requirements for repeated eyesight testing
 - ii. supporting a more productive commercial driving sector
 - iii. standardising regulatory requirements and reducing compliance costs
 - iv. improving oversight of approved course providers.

Executive summary

3. Holding a valid driver licence is vital for most people and businesses. It enables the easy movement of goods and people, aids social connectivity and employability, assists road safety, and provides a handy form of identification.
4. Government initiated a review of the driver licensing regulatory system in December 2014. Opportunities were identified that could improve efficiency and customer experiences of the system.
5. I am keen to facilitate online driver licence renewal in a manner similar to that of passport renewal. With rapidly changing technological advancements, customers expect to be able to carry out virtually all transactions online. Driver licensing renewal and reinstatement processes currently lag behind in this respect. The proposal to enable online driver licensing transactions aligns with the Government's 'Better Public Services' Result 10, which has the goal of enabling New Zealanders to complete their transactions with government easily in a digital environment.

6. The main barrier to an online process is the requirement for a vision test at each licence renewal, and for some reinstatements (a vision test is only required for a licence reinstatement if a persons licence has or will expire in the next 12 months). International research reports weak evidence of any safety benefits achieved by the current acuity test, used by the majority of jurisdictions as well as New Zealand. I therefore examined the value of repeating this requirement at licence renewal.
7. Current visual acuity testing is not a reliable predictor of who is more likely to have a crash. At best, the test acts as a screening mechanism but not a reliable one as around 60 percent of people who fail the vision test at renewal are subsequently found to be able to drive without lens correction. Studies of the crash analysis system show that crash rates of drivers who fail the vision test at renewal (and who are subsequently required to wear correcting lenses) were the same as drivers who pass the test.
8. I acknowledge that not requiring vision testing every ten years to renew a licence may seem counter intuitive, despite the evidence from crash data. For this reason, I propose to ask the NZ Transport Agency and the Ministry of Transport to develop a comprehensive campaign to inform the public that they are responsible for ensuring their vision is suitable for driving. Renewal and reinstatement applicants will be required to make a declaration that their vision is sound. A person who knowingly provides false or misleading information would be committing an offence under the Land Transport Act. This offence carries a maximum penalty of a fine not exceeding \$10,000.
9. I am seeking Cabinet's views on reducing the requirement for repeated vision testing at licence renewal and for applicable licence reinstatements. I have identified three options:
 - maintaining the status quo, while noting that it is a barrier to online licence renewal and some reinstatements
 - an intermediate option of requiring vision testing at first entry to the driver licensing system and then at age 45 and then from age 75, or
 - requiring vision testing at first entry to the driver licensing system and then again from age 75, which is my preferred option.
10. My preferred option would mean savings for drivers over a lifetime of driving from not having to visit a driver licensing agent, for example, savings on travel time and associated costs. Online renewals and reinstatements would be very helpful for those in rural or remote locations that are far from a licensing Agent.
11. The options exclude commercial drivers and older drivers who are required to provide a current medical certificate and meet a more stringent eyesight standard.
12. I am mindful of the heavy vehicle industry's concerns about the cost and complexity of the licensing system and the time it takes to get from a Class

2 to a Class 5 licence. In addition, I am concerned to ensure where possible, that the requirements of the driver licensing system are standardised and simplified. I believe that the proposals in this paper will assist in growing the number of heavy vehicle drivers by simplifying and speeding up the process of progressing from Class 2 to Class 5.

13. As part of Government's commitment to better regulation, I have reviewed the driver licensing regulation to identify and remove requirements that are unnecessary, ineffective or excessively costly. The training and education requirements for special-type vehicle licence endorsements are duplicated in Health and Safety legislation, so I propose to discontinue some endorsements. I have also reviewed the stand-down requirements for the (P) Passenger endorsement and decided to retain the current stand-down period of two years.
14. Some of the requirements in the Rule need updating because they are overly complex and hard to understand. I propose to standardise speed references for tractors and agricultural motor vehicles and remove arbitrary distinctions between different tractor types. I also propose tightening some provisions that relate to approved course providers.
15. Public consultation took place between 19 April 2016 and 2 June 2016. Seventy-seven submissions were received. While there was general support for the proposed changes to heavy vehicle licensing, some submitters including NZ Police, the NZ Automobile Association (NZ AA) and medical organisations were concerned about any changes to current vision testing requirements.
16. Should Ministers agree, I propose that policy decisions be actioned, through amendments to the Rule, for public consultation early in 2017.
17. I am mindful that there is a range of conversations on driver licensing and its links to employment and other Government outcomes at this time. My proposals complement these initiatives. An evaluation of the Graduated Driver Licensing System (GDLS), agreed by Skilled and Safe Workplaces Ministers, will be carried out in 2017 and some further changes to the regulatory settings for driver licensing may be recommended following its completion.

Background

18. There are around 3.4 million driver licence holders on the New Zealand driver licence register. Each year there are around 238,000 new licence applications, 300,000 licence renewals and around 43,000 licence reinstatements. A reinstatement generally occurs when a driver licence disqualification or suspension has ended and the licence is reinstated to the licence holder. An estimated 4,000 reinstatements require a vision test. This is necessary when a licence has expired, or will expire in the next 12 months.

19. Approximately \$60 million was paid in licence and test fees in the 2015/16 financial year.
20. The Government initiated a review of the driver licensing regulatory system in December 2014. The review was a response to the Government's commitment to achieve a more efficient transport regulatory system and better public services. A system underpinned by better quality regulation will enable the delivery of better public services while maintaining or improving road safety outcomes.
21. The review concluded that the current system is working adequately but there are opportunities for improvement. Any changes proposed need to ensure road safety outcomes are maintained.
22. Following consideration of the review's findings, Cabinet agreed to the release of a discussion paper on 18 April 2016 (CAB-16-MIN-0164), which proposed a number of improvements to the driver licensing system. These were predominantly aimed at supporting commercial sector productivity and reducing unnecessary prescription or compliance costs. Public consultation took place between 19 April 2016 and 2 June 2016.
23. Seventy-seven submissions were received which were generally supportive of the proposed changes around heavy vehicle licensing. Some submitters were concerned about changes to vision testing.
24. My proposals complement non-legislative initiatives aimed at reducing barriers to obtaining a driver licence and promoting progression through the driver licensing system. These initiatives focus primarily on vulnerable drivers aged less than 25 years, because that is typically when people progress through the driver licensing system. They are included in the action plan agreed by the Skilled and Safe Workplaces Ministers group in July 2016. The action plan aims to increase participation in, and progression through, the GDLS.
25. There are 12 initiatives in the action plan, which support young and unemployed people such as through the community driver mentor programmes (CDMP). There are four CDMPs in Porirua, South Auckland, Whangarei and Christchurch East. In Hawke's Bay, funding support is being given to the Howard League driver licence and literacy programme and National Land Transport Programme funding is supporting local authorities in the region to undertake driver licensing initiatives. My proposals will complement these initiatives.
26. I decided not to consult on more general licensing matters such as consideration of the Class 1 full (Class 1F) licence test and a reduction in the length of the Class 1 restricted (Class 1R) licence stage. This is because several amendments have been made to the driver licensing system in the last few years, most recently with the 2014 introduction of five-year time limits on Class 1L learner and Class 1R licences. I considered it was appropriate to allow time to assess the impact of these changes before considering further amendments in these areas.

27. I will consider including these general licensing issues in the evaluation of the GDLS in 2017, which forms part of the action plan agreed to by Skilled and Safe Workplaces Ministers.

Proposals

28. The driver licensing system is fundamental to a productive transport sector and to road safety. I propose changes grouped in four areas:
 - I. moving to a digital licensing environment – reducing repeated vision testing
 - II. supporting a more productive commercial driving sector
 - III. standardising regulatory requirements and reducing compliance costs
 - IV. improving oversight of approved course providers.

I Moving to a digital licensing environment – reducing repeated vision testing

29. The proposal to enable online driver licensing transactions aligns with the Government's 'Better Public Services' Result 10, which has the goal of enabling New Zealanders to complete their transactions with government easily in a digital environment. Each year there are around 238,000 new driver licence applications and 300,000 licence renewal applications.
30. With rapidly changing technological advancements, customers expect to be able to carry out virtually all transactions online. Driver licensing renewal procedures lag behind this increasing demand for digital processes. I propose that driver licence renewal be possible online in due course in a manner similar to passport renewal.
31. One of the requirements for licence renewal is the vision test.
32. There is currently no facility for carrying out satisfactory vision testing online and the need for vision testing is a major barrier to future online licence renewal. As a step towards allowing driver licences to be renewed or reinstated online, I have examined the value of repeated vision testing. The current vision test is the same for both types of applications.
33. I seek Cabinet's views on the following three options for future vision testing at the time of licence renewal and applicable licence reinstatements. The three options are:
 - i. retain the status quo – that is, vision is tested every ten years at licence renewal and for reinstated licences that have expired or are about to expire

- ii. vision testing is limited to first time entry into the driver licensing system (for Class 1L [car] and Class 6L [motorcycle] licences)¹ and then at the age of 45 years; and again at age 75 years when the conditions related to older drivers begin. For practical reasons this would mean that a vision test would be required at the next renewal after the age of 45 or where a licence is being reinstated at or after the age of 45
 - iii. vision testing is limited to first time entry into the driver licensing system (for Class 1L [car] and Class 6L [motorcycle] licences) and then again at the age of 75 years when the conditions related to older drivers begin. This is my preferred option.
34. None of these proposals would apply to commercial drivers or those aged 75 and over as in these cases vision is assessed as part of a required medical certificate². They also will not apply to the reinstatement of licences that are surrendered voluntarily. In these cases, a licence is surrendered by the licence holder, usually for medical reasons, age, or on the advice of a medical professional.
35. I have based my preferred option on evidence from:
- analysis of crash data
 - the proportion of drivers who failed the vision test at first entry to the driver licence system, and at licence renewal and subsequently were found to be fit to drive without lenses
 - international research literature
 - a comparison with other jurisdictions

Analysis of crash data

36. Good vision is essential for driving safety. An analysis of crash data looked at the safety benefits of vision testing. Two studies were undertaken. The first looked at the crash rates of the 7,400 drivers who failed a vision check at a licensing agent between 1 January 2005 and 31 December 2011 and were then required to wear corrective lenses while driving. The crash rates of these drivers in the three years before and after failing the vision test and being required to wear glasses or contacts were virtually the same.
37. The second study looked at the crash rates of drivers in the three-year period before they renewed their licences. The crash rates of drivers who failed the eyesight test at renewal and drivers who passed were the same.

¹ The Rule currently requires a vision check at each application to progress through the GDLS which means that drivers can be tested up to three times in as few as nine months. It also requires a vision test when a licence being reinstated has expired or is about to expire.

² Commercial drivers means all holders of heavy vehicle licences (classes 2-5) and P,V, I, and O endorsement holders. In-person vision testing or the provision a medical certificate will still be required for these drivers. A new online driver licensing renewal system may also be able to accommodate classes 2-5 by providing for the upload of a medical certificate.

38. Limitations on the data available prevent crash risk studies that have a larger sample³ and that look at a longer period. However, these studies suggest that there is little discernible safety benefit to be gained from repeated eyesight testing as part of the driver licensing process. A member of the Waikato University's Traffic and Road Safety Research Group reviewed the analysis and confirmed the methodology was sound.

Drivers who failed the vision test at first entry into the driver licence system, and at licence renewal and subsequently were found to be fit to drive without lenses

39. In 2014, there were 70,893 first time driver licence applications. Of these, 3,217 applicants (4.5 percent) failed the vision test. 1,931 of these applicants (60 percent of those who failed the vision test) were subsequently assessed as being fit to drive without corrective lenses.
40. In the same year, there were 300,091 driver licence renewal applications. 9,859 (3.3 percent) of licence renewal applicants failed the vision test. Fifty-three percent of these were later deemed fit to drive without lenses. That is, although they failed the vision test at a licensing Agent, a medical professional subsequently assessed more than half as not needing vision correction to drive. The remaining 4,566 applicants were found to require lenses. The following table shows how many drivers failed the vision test in 2014 and were subsequently assessed as being fit to drive without further lens correction.

³ All those who failed the vision test were included

Table 1 Drivers who failed the vision test and were subsequently assessed as fit to drive without further lens correction

Type of application	Number of applications	Number and percentage who failed the vision test	Number and percentage who on further testing were found fit to drive without lenses	Percentage of all applications who failed the vision test and required lenses
First time driver licence	70,893	3,217 (4.5%)	1,931 (60% of fails)	1.8 %
Licence renewals	300,091	9,859 (3.3%)	5,293 (53.6% of fails)	1.5%
Licence renewals for those 45 years +	203,000	6,562 (3%)	3,383 (52%)	1.6%
Licence renewals 75 ⁴ years+	68,000	Required to produce a medical certificate		0.05% (39 drivers)

International literature

41. A literature review found that international research reports weak evidence of a relationship between driving safety and the measures of vision that are usually tested – acuity and visual field.
42. There is better evidence of a relationship between aspects that are not usually tested, such as processing speed and divided attention. Even so, the relationship between these measures and safe driving is not well understood as there are other factors, such as cognitive processing, compensatory techniques such as eye and head movement and self-regulation by drivers (e.g. driving only in familiar areas or only in daytime), that complicate the relationships.
43. The acuity testing used by New Zealand and most other jurisdictions, is not a reliable predictor of who is more likely to have a crash. At the same time researchers note there may be a link between vision acuity and driving performance. This would imply that if large portions of the population were to begin driving with poor vision acuity there could be an

⁴ This number includes drivers aged 74 years who are renewing their licence within 6 months of their 75th birthday.

increase in traffic offences, but little to no increase in crashes. However, only 1 percent of drivers fail a vision test and are then required to wear lenses when driving, and any proposed regime will identify the large majority of these drivers. This should result in in no noticeable change in volumes of traffic offences. At best, the acuity test acts as a screening mechanism but not a reliable one as more than 60 percent of people who fail the vision test at renewal are subsequently found by a medical professional to be able to drive without lens correction. There is emerging evidence that the “useful field of view testing” is more related to driving performance and road safety. However, this more intensive type of testing is more costly and appropriate in clinical situations for driving where there is a higher level of risk. It is not practical for use as a screening tool for the general population.

44. Vision generally deteriorates with age. International research literature suggests that age related vision deterioration starts at around 45 years. A growing body of research has examined the association between vision and driving performance in older adults who experience age-related visual impairments. The question is at what age is testing needed for age-related impairment that affects driving performance and safety.
45. There is currently no consensus regarding the critical age threshold when regular vision testing should be made compulsory, but many jurisdictions set this age at 70 or 80 years.

Comparison with other jurisdictions

46. Policies for re-testing vision at licence renewal vary across jurisdictions. New Zealand is one of four jurisdictions in Australasia that require vision testing at every licence renewal, along with New South Wales, the Australian Capital Territory and the Northern Territory. In the United Kingdom and Victoria, vision testing at renewal is only required if a condition affecting safety to drive is declared or reported.

i. Status quo

47. Maintaining the status quo of retaining in-person vision testing at each renewal or reinstatement or presenting an eyesight certificate has limited if any safety benefits. While the Rule provides for online applications, these screening requirements are still a barrier because many people still need to visit a health professional to obtain an optometrist certificate. The requirement for vision testing also prevents renewals from going online until reliable vision testing can be carried out online as well.
48. New Zealand’s current approach of regular testing at 10 year intervals is considerably more frequent than most other jurisdictions. Given the doubtful safety value, Transport officials believe that there are efficiency gains and administrative savings that can be made by moving away from the status quo. These savings include administrative processing costs and administrative savings from rationalising licensing branches where demand for licensing services is low. There will be time savings for all Class 1 and 6 GDLS applications and renewals after the first application.

There will also be savings for those drivers who fail the vision test and who are required to obtain an eyesight certificate, and subsequently are declared fit for driving without any additional correction from lenses.

ii. *Vision testing at first time entry to the driver licensing system, at 45 years and then at 75 years onwards*

49. This is a new option and was not part of the consultation process. A cost benefit analysis of this option was not carried out but it is expected to show fewer net benefits than my preferred option. Testing at first time entry into the driver licensing system makes sense as it is a time when a person must pass various tests to demonstrate their fitness to drive. However, no other jurisdiction has been identified that requires repeated vision tests at every stage of the GDLS as New Zealand does.
50. In 2014, there were 203,000 driver licence renewal applications granted to drivers aged 45 years and over. Of these, just over 3 percent (6,562) failed the eyesight test at a licensing Agent. More than half of those who failed the vision test were subsequently found to be fit to drive without lenses (3,383).
51. There is no consensus about what the critical age threshold is for regular vision testing in older adults. After vision testing at entry into the system, most jurisdictions restart vision testing from 70 to 80 years. Australian Capital Territory tests at entry to the licence system and then at age 50 and every 5 years after that until age 75 after which it tests annually. Finland tests at first entry into the licence system, then at 45 years of age and then every 5 years from the age of 70.
52. The European Commission says that research is increasingly suggesting that age-related testing may have counter-productive results. Sweden has no age related controls, whereas Finland retests at age 45. A comparison of Finland and Sweden shows that Finland had a higher rate of fatalities among unprotected older road users than Sweden. This was attributed to an increase in the number of older pedestrians who had lost their driving licence.
53. This option has the advantage that it might be more acceptable to some stakeholders and members of the public who feel uncomfortable about reduced vision testing. At the same time, it imposes a cost on drivers when there is no evidence that it produces any safety benefits.
54. To make this option workable it would need to require drivers to have a vision test at the first renewal after their 45th birthday.
- iii. *Vision testing at first time entry to the driver licensing system, then at 75 years (not including commercial drivers)*
55. My preferred option is that vision testing be limited to first time entry into the driver licensing system (for Class 1L [car] and Class 6L [motorcycle] licences) and then again at the age of 75 years when the conditions related to older drivers begin. Drivers would be required to make a

declaration at licence renewal that their vision is of sufficient standard for driving safely. Knowingly providing false or misleading information is an offence under the Land Transport Act, with a maximum penalty upon conviction of \$10,000.

56. In 2014, there were nearly 68,000 driver licence renewal applications granted to drivers aged 75 years and over⁵. Of these, 39 were found unfit to drive following an eyesight test. This is because almost all of these applicants are required to produce a medical certificate when renewing a licence beyond their 75th birthday. This group is also required to pass an on-road safety test, if referred for the test.
57. This option requires first-time driver licence applicants to have a vision test at a driver licensing agent or to provide an eyesight certificate as is currently the case. All driver licence applicants subsequently renewing their licences would be required to make a declaration that their vision has not deteriorated since their last renewal, or that any deterioration is being managed by wearing corrective or contact lenses. No further eyesight tests would be required until a driver is 75 years old when the requirements for older drivers begin.

Cost benefit analysis

58. Cost benefit analysis was carried out for my preferred option. At 90 percent confidence, the analysis showed that there would be net benefits from removing vision testing from licence renewal requirements, ranging from \$18.4 million to \$37.5 million over a 20-year period with corresponding benefit cost ratios of 3.9 to 6.9. These benefits are expected to be slightly higher if reinstatements are included.

Stakeholder views on reducing the frequency of vision testing

59. While there was support for online licensing, some submitters questioned the safety aspects of the proposal to reduce the frequency of vision testing. Submissions from the Insurance Council of New Zealand, NZ AA, NZ Police, medical associations and optometrists strongly rejected any move from the status quo.
60. Some submitters have suggested more thorough examinations than the current visual acuity test. This test is used by most comparable jurisdictions although not all jurisdictions require vision testing.

Communication plan

61. I am aware that these submitters, and potentially some members of the public, will have concerns about removing ten-year vision testing despite the findings from the analysis of crash data, as it seems to be counter-intuitive. For this reason, should Cabinet support my preferred option, I propose that a targeted communication plan be developed that reminds

⁵ This number includes drivers aged 74 years who are renewing their licence within 6 months of their 75th birthday.

people to take responsibility to ensure they have a standard of vision that is suitable for driving.

62. Doctors and optometrists will still be obligated to give the NZ Transport Agency medical reports of driver licence holders who are unfit to drive under section 18 of the Rule. Currently these notifications average 159 per month⁶.

ii Supporting a more productive commercial driving sector

63. Improving access to the commercial driver licensing system is vital for people and businesses. The transport sector has raised concerns that the current heavy vehicle driver licensing system is unnecessarily complex, costly, and may be exacerbating driver shortages. The sector is also concerned about the differences in the results of the practical test pathway and the approved course pathway - the latter seems to produce more competent drivers. Both pathways need to be updated and strengthened and to ensure that drivers who take different pathways achieve the same level of competency.

64. I propose two changes to the Rule to improve productivity:

- a) simplifying the progression from Class 2 to Class 5 licences
- b) removing the Accelerated Licensing Process.

a) Simplifying the progression from Class 2 to Class 5 licences

65. New Zealand has a GDLS for drivers of heavy vehicles comprising four licence classes with associated learner classes. The GDLS ensures that licensed drivers have the skills and experience required to drive safely on our roads, having progressed from one licence stage or licence class to the next. To drive heavy motor vehicles in New Zealand, drivers need a Class 2, 3, 4, or 5 licence. Class 3 is not part of the GDLS, so drivers can move directly from Class 2 to Class 4. Each licence class covers different vehicle types and weights, with Class 2 being the lightest and Class 5 the heaviest truck and trailer combination. In December 2015, there were around 391,000 people licensed to drive heavy vehicles.

Two pathways possible from Class 2 to Class 5 licences

66. Drivers can choose between two pathways – a practical test pathway or an approved course pathway. While both pathways need improvement, the approved course currently achieves greater competency in drivers. I am proposing to align the practical test and approved course pathways so that the same competence results from both pathways.

⁶ June 2015 through to end of May 2016

Age-specific requirements for each pathway

67. Currently, there are age-specific requirements for each pathway that are complex. For the practical course pathway, there are minimum time requirements for under 25 year olds of 6 months from one full licence class to the next learner licence stage; and a minimum of 3 months for drivers aged 25 or older.
68. Drivers aged 25 years and older can proceed from a learner licence stage to a full licence with no wait time if they have completed an approved course. Drivers under 25 who complete an approved course still have to wait a minimum of 6 months between classes to allow some driving experience before moving to the learner stage of a higher licence class.
69. Table 2 summarises the current age-specific requirements from Class 2 to Class 5.

Table 2 Current age-specific requirements to progress from Class 2 to Class 5

Pathway	Under 25 years	Over 25 years
Practical test	6 months wait between a full licence and the next level learner licence and 6 months wait from a learner class to a full class.	3 months wait between a full licence and the next level learner licence and 6 months wait from a learner class to a full class.
Approved course	6 months wait between a full licence and the next level learner licence but no wait time from a learner class to a full class.	No wait time

70. Key features of my proposed changes to simplify the progression from Class 2 to Class 5 licences are that:
- the learner licence for Classes 4 and 5 (and associated courses) be removed and replaced with supervised driving
 - Class 3 licences be removed; the Class 3 weight requirements are moved into Class 5
 - the 6 month wait time within each class before practical testing, is removed for all drivers
 - the 3 month wait time before progressing between classes, is removed for drivers 25 and over
 - practical testing and courses be strengthened – introduces a theory test at Class 5 because of the removal of the Class 3 licence.

Remove Classes 4L and 5L and replace with supervised driving

71. Drivers with a full class of licence would be allowed, as a condition of their licence, to drive vehicles in the next higher class under the supervision of a driver holding a full licence of the class needed to drive that vehicle. For example, a full Class 2 driver would be able to drive a Class 4 vehicle if supervised by someone who holds a Class 4 licence. As with current

arrangements, supervisors would be in charge of the vehicle, seated next to the driver at all times and have held their New Zealand licence of the class they are supervising for at least two years. Supervised drivers will progress to the next full licence only when they have passed the strengthened practical test or approved course.

72. Allowing supervised driving in the next licence class up creates the opportunity for these drivers to practice. In Victoria, driving under supervision has been shown to have a low risk of crash involvement and generally gives a greater variety of on-road experiences compared to other forms of training.

Remove Class 3

73. Class 3 vehicles are medium combination vehicles with a gross combined weight of more than 12,000kg and no more than 25,000kg. I propose removing the Class 3 licences because this class of licence is essentially obsolete as there are now very few applicable vehicles in the New Zealand fleet. There are currently only about 230 drivers with Class 3 as their highest licence.
74. To obtain a Class 3 licence a driver must progress through Classes 1, 2 and 3. Class 3 is not part of the GDLS progression to Class 5. Those who hold a full Class 3 licence as their highest class of licence would not be made worse off by the removal of Class 3 because they will be deemed to hold a full heavy combination Class 5 licence.
75. The small number of Class 3 learner drivers will be deemed to hold a full Class 2 licence and will continue to drive under supervision.
76. There is a small risk that Class 3 drivers who are granted a Class 5 licence, may not have the skills to understand the tracking and handling differences of medium and heavy combination vehicles. However, the numbers are very small and the drivers tend to be older and more experienced. Any risks can be addressed through the workplace training obligations of 'persons conducting a business or undertaking' (PCBU)⁷ under the Health and Safety framework.

Wait times

77. The current minimum wait time of 6 months within each class before being able to sit a practical test is removed for all drivers.
78. The minimum 3 month wait time before progressing between classes is removed for drivers 25 and over.

Practical and approved tests

79. The current practical driving test for each of Classes 2 to 5 is a 30 minute test, including a 20 minute on-road driving assessment. It is based on a

⁷ As defined in section 17 of the Health and Safety at Work Act 2015

test used since 1970 and mainly focuses on vehicle handling skills, rather than a driver's perceptual and hazard recognition skills when driving a heavy vehicle in traffic. The short test duration means that only a limited number of factors are assessed. It also limits the test to less congested areas. The test needs updating and strengthening.

80. The heavy vehicle sector has advised that they have concerns that some of the approved courses are not as robust as they should be. They believe that the two different pathways, practical testing and approved course, may achieve different levels of competency for the same qualification.
81. Currently, the majority of full licence applicants choose to complete an approved course to avoid having to wait 6 months to sit the practical test. During the five-year period ending 2013, 84 percent of applicants proceeding from a Class 2 to a Class 5 full licence achieved their licence by completing approved courses. This is despite the higher cost of using this pathway, estimated at \$3,000 for progressing from Class 2 to Class 5. While the alternative practical test approach is considerably cheaper at \$60 per test, it involves a 6 month wait at each learner licence stage before the driver can sit the practical test, and a wait time of 3 - 6 months (depending on age) before they can progress to a higher licence class.

Benefits and costs

82. The benefits of the proposal include lower costs for applicants from removing learner licence applications for Class 4 and Class 5; time saved from removing the associated wait times, improved safety from enhanced practical tests and courses, and cost savings for applicants who switch to the cheaper practical test pathway. Cost benefit analysis also showed reduced administration costs for the NZ Transport Agency from removing Class 3, and the Class 4 and Class 5 learner licences.
83. Costs and risks include possible safety implications of the younger minimum age at which drivers can reach Class 5, (because wait times are removed) and the costs associated with developing enhanced tests and courses. The strengthened tests and courses mitigate the safety risk.
84. A cost benefit analysis estimates the net benefits as between \$5.5 million and \$38.9 million over 20 years with a 90 percent confidence and a corresponding benefit cost ratio from 1.3 to 3.7 (excluding any productivity changes and safety impacts). These results are relatively wide, which reflects the high level of uncertainty with the value of the variables. The mid-range net benefit is estimated at \$22 million with a mid-range benefit cost ratio of 2.4.
85. Productivity gains from this option for drivers progressing through to Class 5 include a \$100 reduction in fees for both the practical and the approved course pathway. They cover the learner licence fees for Classes 4L and 5L. Time savings from Class 1F to Class 5 would total 18 months for under 25s as the wait time after each learner stage will be removed.

86. In addition, as the practical and the approved course pathways will be strengthened and aligned, so that applicants achieve the same level of competence, some drivers who might previously have chosen the approved course pathway (because there are currently time savings under that pathway) might switch to the practical test pathway to save money on the approved course fees.
87. For the proposed option, the approved course pathway will cost approximately \$3,240 and the practical test pathway \$320, so drivers progressing through to Class 5 could save around \$2,900 by choosing the practical test option. The following table summarises the cost savings associated with the proposal.

Table 3 Cost savings associated with the proposal (compared to the status quo)

Cost savings	Time savings
<p>\$100 – \$2900 per applicant:</p> <ul style="list-style-type: none"> • \$100 for all applicants, regardless of age or pathway, from the removal of learner licence Classes 4L and 5L. • \$2900 for applicants who switch from the approved course pathway to the practical test pathway. • Intermediate savings for applicants who switch from the approved course pathway to a mix of practical tests and approved courses. 	<p>Up to 24 months per applicant:</p> <ul style="list-style-type: none"> • 24 months for applicants over 25 taking the practical test pathway. • 18 months for applicants under 25 taking the practical test pathway.

Transitional arrangements

88. For the transition, drivers holding a current Class 4 or Class 5 learner licence would continue to hold that licence until they passed the enhanced test/course or until a renewal was required. Any driver who failed to pass the test/course would revert to their next lower full licence and continue to drive under supervision on their lower full licence class. Any other remaining Class 4 or Class 5 learner licence holders will revert to the next lower full class of licence at renewal and continue to drive under supervision.

89. The changes are summarised in the following diagram and table:



Key features

- Removes Classes 3L, 3F, 4L and 5L
- Allows holders of a lower full licence class to drive vehicle in next class up if supervised (e.g. Class 2 driver can drive Class 4 vehicle, if supervised by someone who holds that licence)
- Removes 6 months of minimum time for sitting a practical test
- Practical tests and courses on a par
- Retains minimum time when progressing from Full to next Learner stage, i.e. 6 months for drivers under 25 years
- Under 25 years: Minimum time to progress from Class 1 Full licence to Class 5 is 18 months
- 25 and over: Minimum effective age to progress from Class 1 Full licence to Class 5 is 25½ years plus time taken to pass test or complete course



Table 4 Summary of proposed changes to the progression from Class 2 to Class 5 driver licences

What it is	How it differs from the status quo	What benefits it has
<ul style="list-style-type: none"> - Simplifies and shortens the overall licensing timeframe - Drivers are permitted to drive the next highest Class under supervision. - Aligns the time-frames for the approved course and practical test pathways, and enhances the practical tests to ensure both pathways are equally robust. Key features are: <ul style="list-style-type: none"> o removes Classes 3, 4L, and 5L o strengthens practical tests and courses o removes the minimum time of 6 months before practical testing for all drivers o removes the minimum time of 3 months in each of the lower full licence classes for drivers 25 and over o allows drivers to begin learning to drive the next highest licence class with supervised driving - Retains the minimum time of 6 months in each lower full licence class for drivers under 25 	<ul style="list-style-type: none"> - There is no Class 3; the Class 3 weight requirements are moved into Class 5. - There is no Class 4L or 5L; drivers in Classes 2 and 4 are permitted to drive Class 4 and 5 vehicles under supervision. - The practical test pathway is shortened so that it takes the same time as the approved course pathway. - Practical tests and courses are strengthened. - Theory test for Class 5 in light of removing Class 3. 	<ul style="list-style-type: none"> - The removal of Class 3 lowers costs for applicants and administrators. Applicants still have to progress through Classes 2, 4 and 5. - The removal of Classes 4L and 5L lowers costs for applicants and administrators. - The removal of Classes 4L and 5L shortens the timeframe for applicants by permitting them to carry out their training for the next highest Class while in a lower Class. - Aligning the two pathways saves time and ensures a similar level of competency - The existing practical tests are out of date, and strengthening them will improve road safety. - Retaining the minimum wait time in lower classes for under 25s ensures experience driving lighter vehicles before progressing.

90. Several other options to speed up the progress from a Class 2 to a Class 5 licence were assessed. These options had their merits but the costs outweighed the benefits. Details are provided in the attached Regulatory Impact Analysis.

91. The relevant learner licence fees will need to be removed from the Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999.

Stakeholder views

92. The most common reason given by submitters who supported the current pathway from a Class 2 to Class 5 licence was ensuring driver safety. Submitters raised concerns that a streamlined system might sacrifice road safety and noted the importance of practical driving experience, using this as a justification for the longer timeframe included in the current licence framework.

93. The Road Transport Forum (RTF) presented an alternative option that is essentially a modification of my preferred option. The RTF proposal was supported by the Federated Farmers, Civil Contractors New Zealand and National Road Carriers. The option was analysed and was found to have safety risks and costs or complexities that outweighed the benefits. Details are provided in the attached Regulatory Impact Analysis.

b) Removing the Accelerated Licensing Process

94. The Accelerated Licensing Process (ALP) was developed as a pilot programme between 2003 and 2011 as a response to sector concerns about labour supply. It was formalised in the Driver Licensing Rule in 2011 and came into force in 2012. It can shorten the time taken to reach a Class 5 licence by almost a year for drivers under 25.

95. The core requirements for the ALP process are that the driver:

- is from a company that is approved for ALP
- meets licence prerequisites (such as holding a Class 1F licence for a period of time)
- passes a preliminary assessment (multi-choice questions)
- drives subject to certain conditions while under supervision, for example, no more than eight hours cumulative driving in a day
- completes 60 hours of supervised driving
- undertakes an assessment of driving skills
- completes 200 hours of unsupervised driving
- undertakes a practical driving assessment.

96. Since the programme was trialled, 188 drivers have completed the ALP and around 140 companies have used the scheme. In the last two years, however, less than ten applicants have applied. There have been several attempts to promote the ALP scheme but with little improvement in uptake.

97. Overall, the ALP does not provide the anticipated benefits for employers. The ALP's prerequisites are prohibitive for some drivers (e.g. because they have an offending history), meaning that up to 30 percent of applicants are unable to access the scheme.

98. I therefore propose that the ALP be removed from the Rule.

99. The fees, offences and penalties associated with the ALP will need to be removed from the Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999 and the Land Transport (Offences and Penalties) Regulations 1999.

Stakeholder views

100. Feedback from industry suggests that the system is overly bureaucratic and time consuming, and the rules covering the ALP are too arduous. The ALP does not address driver retention issues, which was one of the main reasons for its introduction. Most submitters supported the preferred approach to remove the ALP, because it was not being used, with some pointing to their own structured training, apprenticeship and cadet schemes while others believed that the other proposals for streamlining the heavy vehicle licence classes alleviated the need for the ALP.

iii Standardising regulatory requirements and reducing compliance costs

101. I considered six amendments to standardise regulatory requirements and to reduce compliance costs.

- a) Review of the requirements for licence endorsements for drivers of special-type vehicles.
- b) Standardising of speed restrictions for tractors and special-type vehicles.
- c) Simplifying rules for tractors that can be driven on a Class 1 licence.
- d) Review of the stand-down requirements for (P) passenger endorsements.
- e) Automatic renewal of licences for some endorsement holders.
- f) Improving oversight of approved course providers.

a) *Review of the requirements for licence endorsements for drivers of special-type vehicles*

102. A special-type vehicle is defined in the Rule as any motor vehicle that is a forklift, runs on rollers, runs on self-laying tracks (e.g. a bulldozer), or runs on wheels but is not a passenger vehicle (e.g. a combine harvester), a trade vehicle, a tractor, a fire engine, or a vehicle recovery service vehicle. At present, any person who drives a special-type vehicle on a road must hold an appropriate vehicle endorsement in addition to the appropriate class of licence.

103. There are different endorsements for forklifts (F), vehicles that run on rollers (R), vehicles that run on self-laying tracks (T) and vehicles that run on wheels (W). Applicants must provide a certificate showing that they have successfully completed an approved F, R, T or W endorsement course, which covers the road rules and basic handling skills.

104. Approximately 250 course providers offer these courses at an approximate cost of \$200 per course, plus the cost of an application fee (\$44) and a medical certificate, if required. Approximately 25,000 new special-type endorsements are issued each year. In December 2015, over 240,000 people were endorsed to drive special-type vehicles.
105. The Health and Safety in Employment Act 1992 was replaced by the Health and Safety at Work Act 2015 (the HSWA). The HSWA defines vehicles as a 'workplace' where they are used to carry out work, or are customarily used to carry out work, and places a responsibility on PCBUs (generally an employer) to ensure that their employees are provided with appropriate training to operate safely any vehicles they will be using in the workplace.
106. The HSWA means there are two regulatory systems governing the operation and safety of special-type vehicles. This is not good regulatory practice.
107. The rate of fatalities and serious injuries involving these vehicles on the road is extremely low. In the ten years to 2015, there was one road fatality involving special-type vehicles where the driver of that vehicle was at fault. Special-type vehicles are rarely used on roads, and almost always used in occupational settings. This makes the safe operation of special-type vehicles more of an occupational issue than a land transport issue. The HSWA is therefore more appropriate for the task of ensuring that special-type vehicles are safely operated.

Stakeholder views

108. Most submitters supported the removal of special-type vehicle endorsements. The most common reason given was that workplace training is adequate, making the endorsements an unnecessary duplication of regulatory requirements; and that workplace training is more appropriate because they are rarely used on roads. Those who opposed their removal expressed concern about the creation of regulatory gaps and that there is currently no agreed upon framework for guiding the use of rollers, tracked vehicles and wheeled vehicles.
109. I propose to remove the requirements in the Rule for special-type vehicle endorsements for forklifts, rollers, tracked vehicles, and wheeled vehicles.
110. A cost benefit analysis of the proposal estimates the net benefits of removing these endorsements within the range of \$1 - \$6 million over 20 years with a 90 percent confidence. This would reduce costs for both drivers and administrators. It would also match up with the Australian approach and make it easier for New Zealand to comply with qualifications recognition under the Trans-Tasman Mutual Recognition Arrangement. It could involve the removal of clauses 28, 29, 71, and part of Schedules 3 and 4 from the Rule, as well as minor changes to other clauses that refer to special-type vehicle endorsements. The relevant class of licence requirements would continue to apply.

111. I am aware that a transition plan for existing holders of special-type vehicle endorsements would be required because some operators regard their vehicle endorsement as a significant achievement and a form of qualification. This would involve maintaining the validity of existing endorsements until their general licence is renewed. Any special-type vehicle endorsements shown on their general licence would expire when their general licence is renewed.
112. The fees, offences and penalties associated with special-type vehicle endorsements will need to be removed from the Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999 and the Land Transport (Offences and Penalties) Regulations 1999.

b) Standardise speed requirements for tractors and special-type vehicles

113. In 2013, Schedule 3 of the Rule was amended to increase the maximum speed limit for agricultural motor vehicles from 30 km/h to 40 km/h, although the 30 km/h speed limit for other types of vehicles e.g. tractors other than agricultural tractors and special-type vehicles, remained unchanged. The anomaly was created as a result of a review that focussed only on agricultural vehicles.
114. As a result, Schedule 3 now has seven driver licensing requirements for vehicles that can travel up to or more than 30 km/h and four for vehicles that can travel up to 40 km/h.
115. In the discussion paper released for consultation, I signalled that I proposed simplifying Schedule 3 of the Rule so that any reference to a speed of 30 km/h would be changed to a speed of 40 km/h. The actual speed that a tractor or special-type vehicle could be driven would then depend on the class of licence held.

Stakeholder views

116. Most submitters who commented on this proposal supported the simplified speed requirements because a standardised speed would make compliance easier. Some considered a 40 km/h speed limit too low for modern tractors.
117. The proposed change represents a small increase in the speed limit for some tractors or special-type vehicles that can be driven on a Class 1 licence. The number of fatalities associated with agricultural vehicle crashes is low and there is no evidence that these vehicles have a different safety profile when used for agricultural or non-agricultural purposes. The main risk is associated with other drivers encountering slow moving vehicles on the open road due to the speed mismatch. This speed mismatch will be reduced.
118. I propose that Schedule 3 be amended so that any references to a speed of 30 km/h are changed to 40 km/h.

c) Simplifying the rules for tractors that can be driven on a Class 1 licence

119. Tractors that can be driven on a Class 1 licence fall into any of seven different regulatory categories, depending on licence stage (learner, restricted, full), vehicle use (agricultural, non-agricultural), vehicle weight, speed limit, and whether the vehicle has a trailer attached. The existing requirements are difficult to understand, comply with, and enforce.
120. These vehicles are responsible for a very low number of road crashes and there is no evidence that agricultural tractors and other tractors present different crash risks.
121. I propose simplifying the Schedule 3 licensing requirements by removing the regulatory differences between agricultural and non-agricultural tractors that can be driven on a Class 1 licence. Most submitters supported this proposal, because it would make compliance easier.

Schedule 3 prescription

122. Since the Rule was introduced in 1999, Schedule 3 has been subject to a number of amendments; often on a piecemeal basis and to address specific issues. As a consequence, it has become difficult to follow and is causing confusion for drivers, employers and enforcement personnel. Schedule 3 has become highly prescriptive and unnecessarily detailed.
123. During the course of drafting the new Rule, it is likely that anomalies or inconsistencies will be identified within Schedule 3 applying to different types of tractors and special-type vehicles, speed restrictions and Class 1 licence coverage.
124. I therefore propose to take the opportunity provided by this work to further simplify the Class 1R and Class 1F licensing requirements in Schedule 3 by consolidating and reducing the level of overlap and duplication in the current weight and vehicle requirements. For example, there are at least three clauses that refer to different tractor types or combination vehicle tractors that have the same weight limits. After simplifying the tractor types and speeds and removing the endorsement requirements, these clauses could be consolidated into one clause. There may also be other clauses that can be consolidated while maintaining the current weight and vehicle types in Class 1R and 1F.

d) Reviewing the stand-down requirements for (P) passenger endorsements

125. Currently, a driver must hold a New Zealand full licence for two years before they can obtain a P endorsement. The purpose of this is to allow time for the appropriate experience to be gained and driving behaviour to be monitored. The stand-down period is in place to ensure that young (and new) drivers have sufficient experience as full licence holders (such as driving at night and driving with passengers) before driving passengers for a fare. There are concerns that this stand-down period is restricting the supply of drivers, especially bus drivers.

126. The discussion paper proposed either continuing with the status quo or reducing the stand down period to one year, (excluding drivers who convert overseas licences or drivers under the age of 25).
127. A cost benefit analysis of reducing the stand-down period indicated that any benefit would be largely cancelled out by an increase in the safety risk.
128. I propose retaining the status quo and requiring a driver to hold their New Zealand full licence for two years before they can obtain a P endorsement.

Stakeholder views

129. The majority of submitters supported the status quo, arguing that it protects the safety of passengers and the public. The Bus and Coach Association proposed that NZ licensed drivers become eligible to apply for a P endorsement after 6 months and that overseas drivers and drivers under 25 become eligible after 1 year.
130. Many submitters commented that the stand-down period is appropriate for its purposes of providing experience and time for monitoring of driver skills and saw its retention as common sense.

e) Automatic renewal of general licences for some endorsement holders

131. Since 2011, licence holders who obtain or renew an additional licence class or endorsement can also have their existing (general) licence renewed for 10 years at the same time. The minimum requirements of the application for the additional licence or endorsement must also satisfy the minimum requirements for renewing the existing licence. Those requirements include the capture of a new photograph of the driver. For small passenger service vehicles such as shuttles and taxis, P endorsement holders have to update their photo driver identification card which means they meet the photograph prerequisite and can therefore renew their general licence at the same time.
132. However, for large passenger service vehicles such as buses, P endorsement holders do not have a photograph taken when they renew their endorsement because bus drivers do not have to display a photo driver identification card. They therefore have to renew their general licence on its normal expiry date. This imposes costs.
133. The same situation also applies to holders of I endorsements (Driving Instructor), O endorsements (Testing Officer) and D endorsements (Dangerous Goods). If these applicants had a photograph taken when renewing their endorsement, they would qualify for an automatic renewal of their existing general licence(s).
134. I propose that a photograph be taken when renewing these endorsements, so that general licences can be updated at the same time. This aims to reduce the additional costs of applying for a general licence renewal

separately. It also reduces the risk of a driver inadvertently letting their general licence expire after an endorsement has been renewed.

135. Almost every submitter on this issue agreed with the proposed approach.

f) Improving oversight of approved course providers

136. The Rule authorises approved course providers to offer approved courses for most driver licensing classes and endorsements, either as a requirement of gaining a licence or endorsement, or as an alternative to minimum time requirements. For example, an applicant for a Forklift endorsement must pass an approved course; an applicant for a heavy vehicle licence can choose to do an approved course at several points in the licensing process, instead of sitting a practical test. There are approximately 365 course providers nationwide.

137. During the review of the driver licensing regulatory system, it was found that there are gaps in the Rule around managing approved course providers. A key finding of the NZ Transport Agency's independent review of driver licensing system integrity⁸ found that there is limited capacity to ensure that course provider services are being delivered to the required standards.

138. I propose that the Rule be amended to close those gaps and enable the NZ Transport Agency to:

- impose conditions on existing individual course providers in addition to the current Statement of Approval Conditions
- immediately suspend or revoke approved course provider status where a provider has acted inappropriately, illegally or contrary to the conditions under which they were approved
- allow consideration, during the approval process, of information on the history of an applicant seeking to be an approved course provider
- seek additional information from applicants seeking to become approved course providers.

139. My proposal will ensure the NZ Transport Agency is empowered to better manage risks related to approved course providers.

Stakeholder views

140. Almost every submitter on this issue was in favour of the proposal, commenting that it would improve the integrity of course providers, and therefore road safety.

⁸ NZ Transport Agency Independent Review of Driver Licensing End-to-End System Integrity. KPMG, June 2016

Consultation

141. Beginning in December 2014, there has been an extensive engagement process with key stakeholders and participants in the transport sector. This included workshops with reference groups and specific discussions with some stakeholders leading to the release of a public discussion paper in April 2016.

Consultation with the Minister of Transport

142. The matters covered in this paper are within my delegated portfolio of responsibilities. The Minister of Transport has reviewed the paper and supports its submission to Cabinet.

Consultation with departments

143. The NZ Transport Agency, the New Zealand Police, the Ministry of Justice, the Ministry of Social Development, the Ministry of Business Innovation and Employment (MBIE), Ministry of Health, Accident Compensation Corporation, Department of Internal Affairs, Te Puni Kōkiri, WorkSafe NZ and the Treasury have been consulted in the preparation of this paper. The Department of Prime Minister and Cabinet and the Parliamentary Counsel Office have been informed.

Consultation with NZ Police

144. The NZ Police expressed concerns about reducing the vision testing requirements to first time entry to the driver licensing system and then again at age 75 years. Police would prefer a combination of regular testing for drivers over age 40 – 45 years (but definitely no later than 65) and mandatory regular testing for individuals who have been diagnosed with a number of medical conditions that carry risks of vision impairment. These conditions include diabetes and age-related macular degeneration. Police also consider that the requirements on doctors and optometrists to report to the NZ Transport Agency, when patients do not have eyesight adequate for driving, rarely occurs and should not be relied on⁹. Police also consider that there are other factors that have not been taken into account such as gender and ethnicity differences in eyesight determination. They are concerned that those on lower incomes will be less likely to visit a medical professional for eyesight testing.

Consultation with Ministry of Justice

145. The Ministry of Justice is comfortable with MOT's analysis and conclusion that the proposals will have no noticeable impact on the justice sector pipeline. The Ministry of Justice prefers the second option, vision testing at first licensing, 45 years, and 75 years, as the best option for mitigating risks and identifying the large majority of drivers who would have failed the test under the current system.

⁹ As stated earlier, currently these notifications average 159 per month⁹ from medical professionals. Police also makes notifications.

146. If there is any small increase in offences related to an increase in drivers with poor vision, this is likely to be mitigated by a decrease in driver licensing offences as a result of the removal of barriers to gaining a licence.

Consultation with MBIE

147. MBIE is generally supportive of the proposals in this paper. It has identified some risks in relation to the proposal to remove endorsements for special-type vehicles. Although a PCBU, usually an employer or business owner, has a responsibility to provide training under the HSWA, it considers the removal of these endorsements will eliminate a useful objective training standard. It considers there could be some duplication of training because different PCBUs require different levels or types of training. However, they advise that the risks are low and manageable and employers have not raised significant concerns about the issue. Employers appear broadly comfortable that they can manage the risk. As well, if necessary, other forms of support for PCBUs could be considered, including WorkSafe NZ providing additional guidance to PCBUs.

Consultation with WorkSafe NZ

148. WorkSafe NZ is also comfortable with the recommendations related to special-type vehicles that are being operated as workplaces but highlights a need to assist PCBUs to meet their legal obligations.

Financial implications

149. The New Zealand driver licensing and driver testing system is based on the principle of self-funding. Driver licensing and driver testing services are funded through third party revenue gained through driver licensing and driver testing fees as set out in the Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999. The fees charged to users meet the costs of processing transactions, issuing licences and managing the information technology and operational systems. The NZ Transport Agency can only charge fees set by the regulations.
150. Key outlays include the cost of outsourced counter services for applications, in-person eyesight testing and image capture; theory and practical driving tests; the cost of support functions such as the Call Centre and administering licence records; and information technology costs to maintain and update the Driver Licence Register.
151. In 2015/16, driver licensing and driver testing services cost \$60.8 million. These services allowed for all driver licence applications, renewals, endorsements and entry to the system via testing. A Crown funded subsidy of \$1.445 million per annum is provided for older driver renewals and tests.

152. The driver licensing and driver testing memorandum accounts reported a combined retained surplus of \$11.6 million at the end of 2015/16. However, fees have not been reviewed since 2009 and since that time, applications and testing volumes have increased significantly. Over the counter transactions have increased and ongoing system updates are required to ensure that government and customer needs are met.
153. The fees made redundant by the proposed changes in the Rule will be removed at the same time as the Rule is amended (for example there will be no need for fees for the licence classes that are removed from the Rule). Any proposed changes to the remaining fees will need to ensure that future income from fees is aligned to costs.
154. I estimate a decrease of around \$1.5 – \$2 million in fees revenue from removing the Class 3 licence, the Class 4 and Class 5 learner licence and the endorsements for forklifts, rollers, tracks and wheels. While some associated, administrative processes will be removed, on-going investment in maintaining and enhancing systems will still be required.
155. Additional one off costs will be incurred from strengthening the practical test requirements and approved courses. This is estimated to be around \$1 million. Updates to the Driver Licensing Register related to the proposed Rule amendment will cost around \$1.6 million.
156. The cost of developing an online driver licensing renewal system is estimated to fall in the range of \$1.25 million and \$4.5 million. This cost range could be narrowed by learning from or using other online government services such as the Department of Internal Affairs 'RealMe'.
157. These costs will require a redistribution of fees to cover overheads and system investment. While adjustments in fees will be necessary, there is no immediate urgency.
158. In 2017, transport officials will work to identify any changes to fees and charges once the regulatory changes are approved and will report back to me on options for changing the fees required for delivering driver licensing and driver testing services based on the Treasury guidelines for setting charges in the public sector. The public will be invited to comment on these options.

Human rights implications

159. There are no human rights implications in the proposals in this paper.

Legislative implications

160. The proposed changes will require amendments to the Land Transport (Driver Licensing) Rule 1999. The next steps involve issuing drafting instructions to the Parliamentary Counsel Office for the proposed amendments. A draft Rule will be made available for public consultation around the third week of January 2017 and through February. I expect to make the Rule amendments in May/June 2017.

161. The changes to the Rule will have consequential changes to the Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999 and the Land Transport (Offences and Penalties) Regulations 1999. These involve removing the redundant fees, and offences and penalties as a result of the amendments to the Rule.

Regulatory Impact Analysis

162. A Regulatory Impact Analysis has been completed and is attached to this paper. The Ministry's internal review team considers that it meets the quality assessment criteria specified by the Treasury.

Transitional arrangements

163. Transport officials will develop an implementation plan once the regulatory amendments are agreed. The details of the plan will be developed as part of a separate, but closely related process, to drafting the amendments to the Rule and Regulation amendments. The plan will consider:

- changes to the practical testing and approved course requirements
- changes in the demand for practical tests
- a transition plan for existing holders of special-type vehicle endorsements.

Gender implications

164. The heavy vehicle industry is dominated by male drivers. This suggests that more men than women would be affected by the changes to the driver licensing system. These changes are likely to be positive.

Disability perspective

165. There are no disability implications.

Publicity

166. Following Cabinet's consideration, I will issue a press release announcing Cabinet's decisions on the changes to the Rule. I will also publish relevant documents on the Ministry of Transport's website once the announcement has been made. These documents will include the Cabinet paper, its accompanying Regulatory Impact Statement, and the independent review of the NZ Transport Agency's vision testing crash analysis together with the vision testing literature review and the Summary of Submissions.
167. I will ask the Ministry and the NZ Transport Agency to develop appropriate messaging to ensure understanding of the reasons for the changes and in particular to the vision testing requirements.

Recommendations

168. I recommend that the Committee:

Moving to a digital licensing environment – reducing the repeated vision testing requirements

- 1 **note** that research shows that:
 - a. while vision is important for good driving, there is no evidence that repeated vision testing contributes to road safety benefits
 - b. there is value in vision testing of older adults once major age-related eye conditions become significant
- 2 **note** that the requirement for vision testing at each licence renewal is a barrier to online renewals as there is currently no mechanism for vision testing online
- 3 **note** that many other comparable jurisdictions test only at entry to the driver licensing system and once major age-related conditions develop, usually from age 70 or 80
- 4 **EITHER**
 - 4.1 agree that the requirement for vision testing at Class 1 and 6 licence renewal and reinstatements should be maintained at the status quo

OR

 - 4.2 agree that the requirement for vision testing at Class 1 and 6 licence renewal and reinstatements (excluding the reinstatement of surrendered driver licences) be removed from the Land Transport (Driver Licensing) Rule 1999; and that vision testing be required only once on entry to the driver licensing system and then at the next renewal or reinstatement (excluding the reinstatement of surrendered driver licences) after age 45 years and again from age 75 when the requirements for older drivers begin

OR

 - 4.3 agree that the requirement for vision testing at Class 1 and 6 licence renewal and reinstatements (excluding the reinstatement of surrendered driver licences) be removed from the Land Transport (Driver Licensing) Rule 1999 and that vision testing be required only once on entry to the driver licensing system and then again from age 75 when the requirements for older drivers begin
- 5 **note** that a driver renewing or reinstating their licence would be required to make a declaration that their eyesight was fit for driving
- 6 **note** that in-person renewals or reinstatements will still be required until a new online driver licence renewal/reinstatement system is designed and implemented

- 7 **note** that officials will complete a report on options for the design, build and delivery of an online renewal/reinstatement system and report to the Associate Minister of Transport
- 8 **note** that I propose that implementation of the proposal will be accompanied by a communications and education plan to ensure people are aware of their responsibilities to ensure their eyesight is fit for the driving task

Supporting a more productive commercial driving sector

- 9 **note** efficiency gains and administrative savings can be made by simplifying the requirements and the time taken to progress from a Class 2 to a Class 5 licence
- 10 **agree** that:
 - a. the learner licence for Class 4 and Class 5 be removed
 - b. Class 3 licences be removed (Class 3L and Class 3F) and the current weight limits in Class 3 be moved into Class 5
 - c. full licence holders in lower classes be allowed to drive in the next class up if supervised, e.g. a Class 2 driver can drive a Class 4 vehicle if supervised by someone who holds a Class 4 licence
 - d. the minimum 6 months wait time before sitting each practical test for all drivers be removed so that it aligns with the approved course pathway timing
 - e. the minimum wait time of 3 months in each of the full licence classes before moving to the next learner licence, be removed for drivers over 25 years of age so that it aligns with the approved course pathway timing
 - f. a theory test to obtain a Class 5 licence be introduced, in light of the proposed removal of Class 3
 - g. courses and practical testing for Classes 2 to 5 be strengthened regardless of the pathway taken
- 11 **note** that the Accelerated Licensing Process aimed at increasing the supply of heavy vehicle drivers has had fewer than ten applicants in the last two years and is not meeting industry's needs
- 12 **agree** that the Accelerated Licensing Process be removed from the Land Transport (Driver Licensing) Rule 1999 along with associated fees, offences and penalties in the Regulations

Standardising regulatory requirements and reducing compliance costs

- 13 **agree** that the endorsement requirements for drivers of special-type vehicles be removed from the Land Transport (Driver Licensing) Rule 1999 along with associated fees, offences and penalties in the Regulations

- 14 **agree** that the speed references for different types of tractors and different types of special-type vehicles be standardised to 40 km/h
- 15 **agree** that licensing requirements be simplified to remove the regulatory differences between the agricultural and non-agricultural tractors that can be driven on a Class 1 licence
- 16 **agree** that there should be no change to the current prerequisites for applying for a passenger endorsement (P)
- 17 **agree** that when drivers renew P (Passenger), I (Driving Instructor), O (Testing Officer) or D (Dangerous Goods) endorsements, they be required to have a photograph taken so they would qualify for an automatic licence renewal of their existing general licences

Improving oversight of approved course providers

- 18 **agree** that the NZ Transport Agency be empowered to manage the risks associated with the conduct of approved course providers, so that the NZ Transport Agency is enabled to:
 - a. impose conditions on existing course providers in addition to the Statement of Approval Conditions
 - b. immediately suspend or revoke approved course provider status where a provider has acted inappropriately, illegally or contrary to the conditions under which they were approved
 - c. allow consideration, during the approval process, of information on the history of an applicant seeking to be an approved course provider
 - d. seek additional information from applicants seeking to become approved course providers

Legislative implications

- 19 **invite** the Minister of Transport and Associate Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give effect to the recommendations set out in this paper
- 20 **invite** the Minister of Transport and Associate Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to amend the Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999 and the Land Transport (Offences and Penalties) Regulations 1999 as a consequence to the changes to the Land Transport (Driver Licensing) Rule 1999
- 21 **note** that I propose to take the opportunity to simplify the Class 1 restricted and Class 1 full licence requirements in Schedule 3 of the Land Transport (Driver Licensing) Rule 1999 because they have become highly prescriptive and unnecessarily detailed with changes made to address specific issues since it was introduced in 1999

- 22 **authorise** the Minister of Transport and Associate Minister of Transport to make decisions, consistent with the overall policy proposals in this paper, on any issues which arise during the course of drafting

Financial implications

- 23 **note** that further work will be undertaken in 2017 to identify any changes to the Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999 to ensure they continue to fund the revised driver licensing and testing services

Evaluation of the Graduated Driver Licensing System

- 24 **note** that Skilled and Safe Workplaces Ministers have approved the delivery of a cross agency action plan on addressing barriers to driver licensing, which includes operational driver testing and delivery improvements to encourage progress through the Graduated Driver Licensing System; and an evaluation of the Graduated Driver Licensing System to be conducted during 2017
- 25 **note** that the evaluation may lead to further advice to Transport Ministers by the end of 2017 to adjust other regulatory settings

Publicity

- 26 **note** that I intend to issue a press release announcing Cabinet's decisions on the changes to the Rule. I will also publish relevant documents on the Ministry of Transport's website once the announcement has been made. These documents will include the Cabinet paper, its accompanying Regulatory Impact Statement, and the independent review of the NZ Transport Agency's vision testing crash analysis together with the vision testing literature review and the Summary of Submissions
- 27 **note** that I will ask the Ministry of Transport and the NZ Transport Agency to develop appropriate messaging to ensure understanding of the reasons for the changes and in particular to the vision testing requirements.

Authorised for lodgement

Hon Craig Foss
Associate Minister of Transport

Dated: _____