

Stage 2 Cost Recovery Impact Statement: Changes to car and motorcycle driver licence fees

Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Ministry of Transport and NZ Transport Agency Waka Kotahi (NZTA). The CRIS provides an analysis of options for new Class 1 (car) and Class 6 (motorcycle) driver licence fees. The fee options reflect the recommended improvements to the Graduated Driver Licensing System (GDLS, or licensing system) following public consultation undertaken from 14 April to 9 June 2025.

Limitations and assumptions

- The CRIS was prepared to support Cabinet decision-making about new fees arising from proposed changes to the licensing system. The fee options reflect improvements recommended to Cabinet following public consultation. Cabinet had not made final decisions on changes to the GDLS at the time this CRIS was developed.
- Since the CRIS was developed, the Minister has also directed officials to include a further alternative option to extending the 12-month learner period. This option allows learner drivers to progress to their restricted licence after six months if they meet certain mandatory requirements. This alternative option was not factored into the costings in the CRIS due to time constraints. Its costs and implementation costs will need to be considered further as part of the implementation of the new system.
- The CRIS was developed over a short timeframe. NZTA provided the costing information. There has been no independent scrutiny of the modelling or costs underlying the fee options.
- NZTA outsources the majority of its delivery of driver licensing services to agents (including the Automobile Association (AA) and Vehicle Testing New Zealand (VTNZ)).
s 9(2)(b)(ii)
[Redacted]
[Redacted]
[Redacted]
- NZTA has indicated that the current fees are not set to cost-recovery levels (that is, to cover forecast costs over a 3-year period). If the preferred option is to amend the current Class 1 and Class 6 restricted and full licence fees to reflect the changes recommended to Cabinet (Option 2 in this CRIS), rather than full cost-recovery (Option 1 in this CRIS), any under-recovery will be managed through NZTA's Driver Licensing and Testing memorandum account. The under-recovery will need to be addressed through a wider review of NZTA's regulatory funding currently underway, s 9(2)(f)(iv)
[Redacted]
[Redacted]
- Given time constraints, no public consultation has been undertaken on the proposed fees.



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Executive summary

Following public consultation from April to June 2025 on proposed changes to the GDLS, Cabinet approval will be sought in August 2025 to remove the Class 1 full licence practical test for people progressing through the GDLS, and to remove the eyesight screening at the restricted and full licence stages for Class 1 and 6 licences. These changes affect the fees charged for these services.

In line with NZTA's cost recovery principles and Treasury's guidelines, NZTA seeks to recover the full (direct and indirect) costs associated with providing driver licensing services. NZTA has advised that current Class 1 fees are covering their current costs but will not cover forecast costs. Fees are typically set covering a 3-year period, with higher costs forecast in the later years due to inflation and other factors.

This CRIS analyses two options for changing Class 1 full licence fees (to reflect removal of the practical test and eyesight screening), and Class 1 restricted licence fees and Class 6 restricted and full licence fees (to reflect removal of the eyesight screening). The first option is full cost recovery, based on NZTA's modelling. The second option involves adjusting the current fees for these services to reflect the changes recommended to Cabinet. This is not full cost-recovery. The following table summarises the options.

Table 1: Options for changing Class 1 (car) and Class 6 (motorcycle) restricted and full licence fees, compared to the current fees

Description	Current fee (status quo)	Proposed fee (option 1: full cost recovery for Class 1 licences)	Proposed fee (option 2: adjusting current fees)
Class 1 restricted licence application fee	\$167.50 (includes 2 practical tests)	s 9(2)(b)(ii)	\$160.50 (4% reduction) (includes 2 practical tests incorporating hazard perception test, no eyesight screening)
Class 1 full licence application fee	\$98.90 (includes 2 practical tests)		\$25.90 (74% reduction) (no practical test or eyesight screening required)
Total cost for Class 1 licence (including learner stage, and no resit fees for learner or restricted) ¹	\$362.50		\$282.50 (22% reduction)

¹ The fee for a learner licence, which involves a theory test, is \$96.10. This is not affected by the proposed changes to the GDLS. For the learner theory test and the restricted practical test, the initial fee includes one free resit if the applicant fails the first test attempt. Additional fees are charged if the applicant fails twice.

Class 1 full licence practical test resit fee	\$71.90	s 9(2)(b)(ii)	Fee removed
Class 6 restricted licence application fee	\$54.20 (includes eyesight screening)		\$51.20 (6% reduction) (no eyesight screening required)
Class 6 full licence application fee	\$47.40 (includes eyesight screening)		\$43.80 (8% reduction) (no eyesight screening required)

A further review of driver licensing fees will occur as part of a current wider review into NZTA's regulatory funding. s 9(2)(f)(iv)

Status quo, and recommended changes to the GDLS

New Zealand has a driver licensing system to make sure that everyone who drives on the roads has the skills and knowledge necessary to be a safe driver. All drivers must have a current licence to drive on New Zealand roads.

The GDLS for Class 1 (car) licences consists of three stages – learner, restricted and full. To get a learner licence, a person must pass a theory test. NZTA advises that in 2024, around 90,000 people were granted a new learner licence. They can then learn to drive a vehicle on the road, with a supervisor.

All drivers must spend at least six months on their learner licence before they can apply for their restricted licence. To obtain a restricted licence, the person must pass a practical driving test.

To obtain a full licence, a person must have been on their restricted licence for the required period and have passed another practical test that involves describing potential hazards as they are driving.

An applicant needs to go to a driver licensing agent to sit the test, and an eyesight screening, at each step of the process. Agents process applications, undertake identity verification, schedule and conduct theory and practical tests, and issue temporary licences when applicants pass the tests.

Section 168 of the Land Transport Act 1998 allows regulations to prescribe fees and charges for regulatory services provided by NZTA. Driver licensing fees are currently set out in the Land Transport (Regulatory Fees) Regulations 2023.

The total cost of all three tests is \$362.50,² or more if the person fails more than two tests at any stage:

² All fees in this CRIS include GST.

Table 2: Current costs for Class 1 (car) Learner, Restricted and Full licences

Learner licence	Restricted licence	Full licence	Total
96.10	167.50	98.90	362.50

The Road Safety Objectives document lays out the Government's plan to improve road safety. As part of the focus on safer drivers, it includes an action to:

Identify opportunities to improve the Graduated Driver Licensing System, taking into account road safety (for example, ensuring drivers are adequately trained) alongside making a licence cheaper and easier to obtain.

The Government undertook public consultation on proposed improvements to the GDLs from 14 April to 9 June 2025. Following analysis of the submissions, Cabinet agreement will be sought in August 2025 to recommended changes to the licensing system. The recommended changes that affect fees are the removal of the practical full licence test for Class 1 licences, and removal of the eyesight screening at the restricted and full licence stages for Class 1 and 6 licences.

The changes recommended to Cabinet would therefore require amending:

- Class 1 (car) and 6 (motorcycle) restricted licence fees
- Class 1 and 6 full licence fees

Cost Recovery Principles and Objectives

NZTA's regulatory service fees, including driver licensing fees, are typically calculated in line with NZTA's cost recovery principles and objectives, as follows:³

Table 3: NZTA's cost recovery principles and objectives

Cost recovery principle	Description of principle
Supports transport system objectives	The cost recovery regime must support the role, purpose and objectives of the land transport regulatory system as set out in NZTA's regulatory strategy.
Sustainability	As the regulator, NZTA needs to be funded to be self-sufficient and not rely on government loans. NZTA should carry out its regulatory and other functions in a financially sustainable, efficient and transparent manner to meet the government's desired outcomes from the transport regulatory system.
Focuses on ensuring risk exacerbators and	Users that create the highest risk in the system pay their fair share to regulate that risk and those that benefit the most pay for the benefits they receive.

³ These principles were developed in 2019 and align with the Transport Sector Funding Principles, complement the best practice cost recovery principles of the Treasury, and reflect the guidance of the Office of the Auditor General.

beneficiaries of services pay	
Users should pay for the services, but incentives are important	When someone uses a regulated transport service (for example, licensing and registration), they should pay the cost of the service. In addition, encouraging compliance is built into the system to demonstrate to drivers and transport operators how increased safety on roads reduces harm.
Crown funding is limited to certain functions	From time to time, the land transport regulatory system may seek government funding to cover the cost of being a modern regulatory institution.
Users and beneficiaries should contribute to the integrity of the system	Regulation supports safety, and regulation costs money. The people who use and benefit from a safe land transport system should contribute to the costs of regulating it.
Regularly review regime efficiency	Charges and fees should be set at a level that is economically efficient, fair, and will deliver government transport priorities.
Equitable	Charges and fees should be as fair as possible. This means ensuring the cost of the system is applied fairly.
Simple and consistent	Charges and fees need to be kept as straightforward as possible. This helps ensure it is relatively easy for those who pay charges and fees to understand which fees they should pay, and when. Transparent and consistent charges and fees allow businesses to plan more effectively.

Policy Rationale: Why a user charge? And what type is most appropriate?

When determining who should pay and how fees and charges should be structured, NZTA applies Treasury guidelines⁴ to consider the economic nature of the goods or service. In economic terms, services are generally able to be characterised as public, private, or club goods as presented below:

Table 4: Economic nature of goods and corresponding funding method

Category	Funding method
Private good: a service or activity creates direct benefits to an individual user or users (excludable)	Fee

⁴ Section 3.2 of the Guidelines for Setting Charges in the Public Sector: <https://www.treasury.govt.nz/sites/default/files/2017-04/settingcharges-apr17.pdf>

Category	Funding method
Club good: a service specifically benefits groups of users or where groups of users create specific risks to the land transport system	Charge
Public good: the service provides benefits to the wider New Zealand public	Crown funding ⁵

Further information on determining the economic nature of goods and services is provided in Appendix One.

Fees are appropriate for driver licensing services as they directly benefit individuals by allowing them to drive a vehicle on New Zealand's roads.

In line with NZTA's cost recovery principles and Treasury's guidelines, NZTA seeks to recover the following costs:

- direct costs associated with services:
 - personnel costs (such as staff time),
 - training and development of personnel,
 - agent fees,
 - service delivery costs (e.g., travel costs, printing, producing licences, credit card and Poli fees, etc.).
- support costs associated with delivery of services:
 - operational support costs (e.g., administration, management, change, risk, assurance and intelligence functions, and project costs),
 - business support costs - a fair proportion of wider common costs (e.g., corporate functions like finance, human resources management, information technology, property and utilities).

The level of the proposed fee and its cost components (cost recovery model)

Recent changes to driver licensing fees mean NZTA is not fully recovering costs

On 1 October 2023, the Land Transport (Regulatory Fees) Regulations 2023 came into force. These regulations introduced a one-off initial application fee (or "all-in-one" fee) for each stage (learner, restricted, and full) of the GDLS. There was no additional fee for resits where an applicant failed a theory or practical driving test.

These changes led to the demand for tests greatly exceeding capacity, with wait times in some places exceeding 60 days (compared to a baseline of 10-15 days before October 2023). The October 2023 fees also resulted in cross-subsidisation as individuals who passed

⁵ Using sections 9(1A) and 9(2) of the Land Transport Management Act 2003 to use land transport revenue.

on their first attempt were contributing to the cost of providing services for those who required resits.

To address the wait time issues, Cabinet agreed that the one-off initial application fee for people progressing through the GDLS would only cover two tests, with resit fees required for the third test onwards (with initial one-off fees being maintained at the October 2023 levels).

As a result of these decisions, on 8 July 2024, the Land Transport (Regulatory Fees) Amendment Regulations 2024 came into force. These changes, and other operational measures, resulted in wait times being addressed by the end of 2024. These changes also reduced cross-subsidisation associated with the included resits.

NZTA advised at the time the fees were put in place in July 2024 that they would not address cost under-recovery associated with the one-off initial application fee for each stage. NZTA also advised that this under-recovery was expected to worsen over the coming years. This is because of cost escalation over and above what was forecast when fees were set.

For example, agent commissions are the largest cost to NZTA in driver licensing, s 9(2)(b)(ii)

The table below shows the annual forecast surplus/deficit associated with Class 1 driver licensing services:⁶

Table 5: Current forecast under-recovery for Class 1 driver licensing services

Service	Annual forecast surplus/deficit (\$)				
	2025/26	2026/27	2027/28	2028/29	2029/30
Class 1 learner	244,809	59,943	-170,660	-427,982	-680,360
Class 1 restricted	310,551	26,261	-398,141	-863,766	-1,250,786
Class 1 full	-790,788	-1,014,658	-1,264,876	-1,541,884	-1,809,595
Total	-235,428	-928,454	-1,833,677	-2,833,632	-3,740,741

Driver licensing fees are set at a static amount typically covering a 3-5 year period. As a result, applicants who enter the system early in each period cross-subsidise those who enter later in the period.

Agent commissions are a significant cost in providing driver licensing services

The fees that are impacted by these proposed changes are Class 1 and 6 licence fees for the restricted and full test stages. Class 6 fees are impacted as the proposals to be considered by Cabinet include removing the eyesight screening at the restricted and full licence test stages. The largest component of the overall fees is agent commissions, which make up between 70% and 100% of these fees.

Agent commissions are negotiated as part of a multi-year contract with driver licensing agents. s 9(2)(b)(ii)

⁶ The review of all NZTA regulatory fees that is underway s 9(2)(f)(iv)

s 9(2)(b)(ii)

s 9(2)(b)(ii)

NZTA is actively reviewing how it works to ensure its operations are as efficient and effective as possible. That means simplifying and streamlining processes, reducing duplication, and making smarter use of resourcing and budgets to deliver outcomes, faster. Work is already underway, with immediate actions to reduce overheads, improve decision-making, and focus efforts where they matter most—delivering value for customers and communities.

NZTA is also undertaking a service modernisation programme to develop greater capability in providing digital services. Many services currently provided by NZTA, including driver licensing, require face to face interactions (e.g. customers visiting a driver licensing agent such as AA or VTNZ).

While NZTA is moving towards providing more services digitally, current legislative settings limit the ability to do this. This constrains the options for making driver licensing services cheaper for people in the interim. For the proposed changes, this most notably affects options for delivering hazard perception testing. If a cost-effective computerised hazard perception test was developed in future, it would still require supervision by a driver licensing agent, incurring agent commissions. A computerised hazard perception test is not proposed at this stage, as the estimated costs of developing and delivering the test would need to be passed on to applicants resulting in higher fees.

Options for new fees

Two options are considered:

1. Cost recovery – fees are set to recover direct and indirect costs of delivering driver licensing services, reflecting the changes to the GDLS recommended to Cabinet.
2. Amend the current fees to reflect recommended changes to the licensing system – existing fees would be reduced to reflect the removal of the practical full licence test for Class 1 licences, and removal of the eyesight screening at the restricted and full licence stages for Class 1 and 6 licences.

Option 1: Cost recovery

Since fee changes were made in 2024, NZTA has continued to build its understanding of the various cost components that make up each fee. NZTA has used this information to determine the required fees to cover costs of the proposed changes to the GDLS, averaged over a three-year period (excluding NZTA development and implementation costs).

This option is based on the Class 1 full practical test being removed. The hazard perception test would be incorporated into the one hour allowed for the current restricted practical test.

As the hazard perception test would be included in the restricted practical test, it could not be failed or assessed separately. A failure would require the whole one-hour test to be taken again. There will not be a separate fee to resit only the hazard perception component.

Additionally, eyesight screenings would be removed from the Class 1 restricted and Class 1 full application processes.

Under this scenario, there is no impact on the current \$102.80 fee charged for Class 1 restricted practical tests after the second attempt.

The table below show the current fees and proposed fees (set at full cost recovery) under this option. All figures are GST inclusive.

Table 6: Option 1 proposed cost recovery fees, compared to current fees

Description	Current fee (status quo)	Proposed fee	% change
Class 1 restricted licence application fee	\$167.50 (includes 2 practical tests)	s 9(2)(b)(ii)	
Class 1 full licence application fee	\$98.90 (includes 2 practical tests)		
Class 1 full licence practical test resit fee	\$71.90		

The table below shows the total fee payable to obtain a Class 1 restricted and Class 1 full licence for people who require a different number of resits:

Table 7: Fees payable under Option 1 (cost recovery) for different pass-rate scenarios

Scenario	Current state		Future state	% change
Scenario 1: Pass first time	Class 1 restricted test - passes	\$167.50	Class 1 restricted with hazard perception test - passes	s 9(2)(b)(ii)
	Class 1 full test - passes	\$98.90	Class 1 full - no test	
	Total	\$266.40	Total	
Scenario	Current state		Future state	
Scenario 2: One paid practical resit required	Class 1 restricted test - fails	\$167.50	Class 1 restricted test - fails	
	Class 1 restricted test resit (free resit) - fails	\$0.00	Class 1 restricted test resit (free resit) - fails	
	Class 1 restricted test resit (paid resit) - passes	\$102.80	Class 1 restricted test resit (paid resit) - passes	
	Class 1 full test - fails	\$98.90	Class 1 full - no test	
	Class 1 full test resit (free resit) - fails	\$0.00	No resits required as no test	
	Class 1 full test resit (paid resit) - passes	\$71.90	No resits required as no test	
	Total	\$441.10	Total	

The table below shows the approximate cost components that make up each of the proposed fees:⁷

Table 8: Cost components of the proposed cost recovery fee

Description	Agent commissions	Printing	Mail	NZTA Personnel	Overheads	GST
Class 1 restricted application fee	s 9(2)(b)(ii)					
Class 1 full licence application fee						

⁷ Proposed fees in this CRIS are rounded up to nearest 10 cent increment.

People who currently hold a Class 1 restricted licence will need to transition into the new system. The possible transition approaches under this scenario are yet to be determined.

The table below shows the estimated annual forecast (surplus or deficit) from these two application fees over the three-year period from when the fees will be introduced (1 July 2026), based on forecast volumes. These forecast volumes can be found in Appendix Two. This follows the expected pattern for fees set at a cost-recovery basis over a three-year period, with over-recovery the first year, close to breakeven in the second year, and under-recovery in the third year.

Table 9: Forecast annual surplus/deficit from Option 1 (cost recovery) fees over three-year period

Service	Annual forecast surplus/deficit (\$)			Total over three years
	2026/27	2027/28	2028/29	
Class 1 restricted	s 9(2)(f)(iv)			
Class 1 full				
Total				

Class 1 licence: Option 2 – Changes to existing fees to reflect recommended changes to the GDLS (not full cost recovery)

This option has the same changes to the tests as option 2. As with option 2, the Class 1 full practical test would be removed. The hazard perception test would be incorporated into the one hour allowed for the current restricted practical test.

As the hazard perception test would be included in the restricted test, it cannot be failed or assessed separately. A failure would require the whole one-hour test to be taken again. There would not be a separate fee to resit only the hazard perception component.

Additionally, the eyesight screening would be removed from the Class 1 restricted and Class 1 full application processes.

The key difference with this option is that the proposed fees are not set at a level that enables full cost-recovery. The fees in this option use the current fees (put in place on 8 July 2024) as a base and then subtract or add components as required to calculate the new fees. As the current fees are forecast to under-recover costs, each component has been scaled down proportionally as the basis for this analysis.

The table below shows the current fees and proposed fees under this option. All figures are GST inclusive.

Table 10: Option 2 proposed fees to reflect recommended changes to GDLS (not cost-recovery), compared to current fees

Description	Current fee (status quo)	Proposed fee	% change
Class 1 restricted licence application fee	\$167.50 (includes 2 practical tests)	\$160.50 (includes 2 practical tests including hazard perception test)	-4%
Class 1 full licence application fee	\$98.90 (includes 2 practical tests)	\$25.90 (no practical tests required)	-74%
Class 1 full licence practical test resit fee	\$71.90	N/A	Fee removed

The table below shows the total fee payable to obtain a Class 1 restricted and Class 1 full licence for people who require a different number of resits.

Table 11: Fees payable under Option 2 (updated fees to reflect recommended changes to GDLS) for different pass-rate scenarios

Scenario	Current state		Future state		% change
Scenario 1: Pass first time	Class 1 restricted test - passes	\$167.50	Class 1 restricted with hazard perception test - passes	\$160.50	-4%
	Class 1 full test - passes	\$98.90	Class 1 full - no test	\$25.90	-74%
	Total	\$266.40	Total	\$186.40	-30%
Scenario	Current state		Future state		% change
Scenario 2: One paid practical resit required	Class 1 restricted test - fails	\$167.50	Class 1 restricted with hazard perception test - fails	\$160.50	-4%
	Class 1 restricted practical test resit (free resit) - fails	\$0.00	Class 1 restricted practical test resit (free resit) - fails	\$0.00	
	Class 1 restricted practical test resit (paid resit) - passes	\$102.80	Class 1 restricted practical test resit (paid resit) - passes	\$102.80	0%

	Class 1 full test - fails	\$98.90	Class 1 full - no test	\$25.90	-74%
	Class 1 full practical test resit (free resit) - fails	\$0.00	No resits required as no test		
	Class 1 full practical test resit (paid resit) - passes	\$71.90	No resits required as no test		-100%
	Total	\$441.10	Total	\$289.20	-34%

The table below shows the approximate cost components that make up each of the proposed fees.⁸

Table 12: Cost components of the proposed fees

Description	Agent commissions	Printing	Mail	NZTA Personnel	Overheads	GST
Class 1 restricted application fee	s 9(2)(b)(ii)					
Class 1 full licence application fee						

People who currently hold a Class 1 restricted licence will need to transition into the new system. The possible transition approaches under this scenario are yet to be determined.

The proposed fees in this option will continue to under-recover the full cost of delivering these services. The table below shows the amount each fee is under-recovering.

Table 13: Extent of under-recovery with Option 2 (updated fees to reflect recommended changes to GDLS)

Description	Full cost recovery fee (option 1)	Updated fee (option 2)	Extent of under recovery
Class 1 restricted licence application fee	s 9(2)(b)(ii)		
Class 1 full licence application fee			

The table below shows the annual impact of the under-recovery from these two application fees based on forecast volumes. These forecast volumes can be found in Appendix Two. These forecasts do not consider decreased pass rates due to the inclusion of the hazard

⁸ Proposed fees in this CRIS are rounded up to nearest 10 cent increment.

perception test. If the pass rate falls, then the under-recovery will be greater than these figures show.

Table 14: Forecast under-recovery from Option 2 (updated fees to reflect recommended changes to GDLS) over three-year period

Service	Annual forecast surplus/deficit (\$)		
	2026/27	2027/28	2028/29
Class 1 restricted	-508,293	-608,440	-714,465
Class 1 full	-489,348	-499,134	-509,116
Total	-997,641	-1,107,574	-1,223,581

Class 6 licence fee changes under both options outlined above

Under the proposed changes, eyesight screenings will be removed from the Class 6 restricted and full licence application processes.

The table below show the current and proposed fees. All figures are GST inclusive.

Table 15: Proposed fees for Class 6 (motorcycle) licence

Description	Current fee (status quo)	Proposed fee	% change
Class 6 restricted licence application fee	\$54.20	\$51.20	-6%
Class 6 full licence application fee	\$47.40	\$43.80	-8%

The table below shows the approximate cost components that make up each of the proposed fees.⁹

Table 16: Cost components of the proposed fees

Description	Agent commissions	Printing	Mail	NZTA Personnel	Overheads	GST
Class 6 restricted licence application fee	s 9(2)(b)(ii)					
Class 6 full licence application fee						

⁹ Proposed fees in this CRIS are rounded up to nearest 10 cent increment.

Impact analysis

The proposal primarily affects Class 1 driver licence applicants. The effect on applicants, NZTA, driver licensing agents (e.g. AA and VTNZ), and other government departments are presented below:

Table 17: Potential impacts of the proposed new fees

Affected party	Impact
Licence applicants	<p>NZTA advises that in 2024, around 90,000 people were granted a new Class 1 learner licence and enter the GDLS.</p> <p>Cost:</p> <p>Under both options, the cost of progressing through the GDLS will decrease. This is mainly due to the cost of progressing from a restricted to a full licence. With no practical test, the cost will decrease significantly. This removes a financial barrier which could encourage more people to progress to a full licence.</p> <p>The cost of obtaining a Class 1 licence for New Zealand drivers who are already in the GDLS will depend on the transition arrangements for the proposed changes.</p> <p>The cost of obtaining a Class 6 restricted or full licence will decrease slightly due to the removal of eyesight screening requirements.</p> <p>Pass rates:</p> <p>The proposed inclusion of hazard perception testing at the restricted stage could negatively impact on pass rates for applicants at this stage, potentially impacting on resit fees.</p>
NZTA	<p>NZTA will implement Cabinet's preferred change and monitor it. NZTA's initial cost estimate for developing and implementing these changes is approximately \$5 million. These costs are predominantly outsourced digital costs for system changes and are not incorporated into the proposed fees.</p> <p>NZTA may incur additional ongoing costs to administer the new GDLS.</p> <p>If any assumptions made in calculating any of the fees are incorrect, NZTA will bear the costs of any under-recovery in its regulatory memorandum accounts.</p> <p>NZTA has community testing provider programmes to support people to obtain their driver's licence. The proposed changes may have some effect on these programmes.</p>
Driver licensing agents	<p>The implementation of the Class 1 full licence application could affect the AA and VTNZ's commission revenue. However, any decrease in restricted test pass rates could offset this slightly.</p> <p>The proposed removal of eyesight screenings from Class 1 and Class 6 restricted and full licences is expected to reduce AA and VTNZ's revenue from commissions.</p> <p>The proposed removal of the Class 1 full licence test is expected to reduce AA and VTNZ's commission revenue from rebooking and rescheduling tests.</p>

Driver testing providers	<p>The proposed removal of Class 1 full licence tests is expected to reduce VTNZ's revenue from driver testing. s 9(2)(b)(ii)</p> <p>Providers will need to update their pricing schedules and systems and testing tablets.</p>
Other government agencies	<p>The Ministry of Social Development (MSD) and Ministry of Business, Innovation and Employment (MBIE) both have programmes to support people to obtain their driver licence. The proposed changes may have some impact on the number of drivers MSD and MBIE funding can support.</p> <p>The NZ Defence Force funds recruits to obtain the necessary class of licence to effectively carry out their duties. The proposed changes may reduce the cost of this.</p>

Consultation

Public consultation on the proposed changes to the GDLS was undertaken from 14 April – 9 June 2025. The consultation document noted that removing the full Class 1 licence test would reduce the cost for people getting a licence. Reducing the number of eyesight screenings was intended to support moving more processes online, rather than saving costs to applicants through reduced fees.

No information about possible fee changes arising from the review of the licensing system was included in the consultation document. This is because the impact of the review on fees would depend on the final package of proposals agreed by the Minister and Cabinet.

Implementation plan

Any fee changes would be made through amendments to the Land Transport (Regulatory Fees) Regulations 2023 and would take effect on 1 July 2026.

The transition arrangements for existing holders of Class 1 learner and restricted licences still need to be determined.

The public will be informed of any fee changes via media and other communication channels and the updating of resources, forms, and the NZTA website. The public announcement will be carefully managed to ensure a smooth transition to the new system.

NZTA will develop new processes and update digital, customer service, and financial systems to enable the new fees. To enable fee changes on 1 July 2026, the implementation date for new systems is 30 June 2026. The system will be supported by training and documentation for driver licensing providers and NZTA staff. The costs of this are not included in the proposed fees and will need to be funded separately.

NZTA expects to be able to make the necessary system changes by 1 July 2026, subject to funding for development and implementation being provided in a timely manner following Cabinet decisions on whether to progress changes. Digital system changes for a project of this scale typically take up to 12 months to develop and implement.

Monitoring and evaluation

NZTA will monitor the status of the memorandum account following any changes on 1 July 2026. NZTA will undertake further work to understand any behaviour change and cost impacts (under or over-recovery) following any changes.

Review

Driver licensing fees will be subject to the wider review of NZTA's regulatory fees currently underway.

In terms of NZTA's broader approach to reviewing fees, NZTA established a Regulatory Cost Recovery team in September 2023 to support its cost recovery function. The team uses a framework for triggering reviews in a targeted manner based on need. A trigger may include a policy change request by the Minister of Transport, a significant change to how services are provided, or significant cost over or under-recovery.

The primary objective of the regular targeted reviews is to uphold NZTA's commitment to effective cost recovery practices. These reviews are designed to:

- ensure that regulatory cost recovery settings, including fee and charge rates, remain appropriate, relevant, and aligned with operational requirements,
- prevent the accumulation of significant surpluses or deficits within the regulatory memorandum accounts,
- enhance transparency, accountability, and fairness in cost allocation across land transport users,
- minimise the cost of conducting reviews through temporary workforce (i.e., contractors) and reduce the need for surge resource.

If any triggers are assessed as warranting a need, NZTA would review the service to ensure cost recovery and that it is fit for purpose. This may trigger a formal review of fees and funding or warrant a need to consider operational interventions.

Appendix One: Nature of the goods

When determining who should pay and how fees and charges should be designed, NZTA considers the economic nature of the service. In economic terms, services can generally be characterised as public, club, or private goods.¹⁰

- Public goods are often Crown-funded because it is either impractical or costly to exclude people from their benefits (non-excludable), and their use by one person does not preclude use by others (non-rival). However, even if a service has the characteristics of a public good, it may still be appropriate to charge parties that give rise to risks that the service is designed to manage.
- Private goods are generally recovered via fees charged to the user of the service, where NZTA can limit access to the service to a defined user or users (excludable), and the service only benefits that user (rival). Direct charging is also appropriate where individual users create risks that NZTA's services are designed to manage ('risk exacerbators').
- Club goods are generally recovered via levies on groups of users, where NZTA can limit access to the service to a defined user or users (excludable), but any user's access to the service does not limit others' access to the same service (non-rival). Levies are also appropriate where a defined group of users create risks that NZTA's services are designed to manage, but the risks cannot be attributed to a single identifiable user.

¹⁰ There is also a category of merit goods – services which the community as a whole desires more of than would be provided if charged for at full cost. None of the proposals in this document include services that meet the definition of a merit good.

Appendix Two: Licence application volumes used to forecast revenue and expenditure

NZTA has forecast annual deficits and surpluses over a three-year period for both options in this CRIS based on the estimated volumes in the table below.

The application volumes are based on historical trends and population projections.

NZTA's forecast volumes are also based on actual tests conducted by VTNZ over 1 July 2024 – 30 April 2025. For that period, around 37% of applicants passed their restricted licence test on their first or second attempt, with the other 63% requiring three or more tests to pass.

There have not been any adjustments to volumes based on anticipated behavioural changes that might occur, as NZTA does not know what they are likely to be. NZTA has not done any behavioural research to be able to substantiate any volumes changes that may occur.

Table 18: Estimated licence application volumes

	2025/26	2026/27	2027/28	2028/29	2029/30
Class 1 applications for restricted licence	74,117	76,340	77,867	79,424	81,807
Class 1 restricted tests	134,881	137,092	139,834	142,631	144,962
Class 1 restricted test resits	48,658	50,118	51,120	52,142	53,707
Class 1 applications for full licence	70,152	71,963	73,402	74,870	77,116