

Proactive Release

This document is proactively released by Te Manatū Waka the Ministry of Transport.

Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

Listed below are the most commonly used grounds from the OIA.

<u>Section</u>	<u>Description of ground</u>
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

In Confidence

Office of the Minister of Transport

Cabinet Business Committee

REINTRODUCING DRIVER LICENCE RESIT FEES AND ENABLING THE NZTA APP

Proposal

- 1 This paper seeks agreement to amend the Land Transport (Regulatory Fees) Regulations 2023 (the Regulations) to reintroduce Class One driver licence resit fees.
- 2 Agreement is also sought to amend the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011, to enable the Registrar of Motor Vehicles to waive fees for users of the New Zealand Transport Agency (NZTA) app on a class basis when seeking information from the Motor Vehicles Register.

Relation to government priorities

- 3 The proposals in this paper support the draft Government Policy Statement on land transport 2024 (GPS) commitment to ensure the NZTA improves the efficiency and effectiveness of its spending.

Executive Summary

- 4 On 1 October 2023, the Land Transport (Regulatory Fees) Regulations 2023 came into force. These regulations introduced an all-in-one fee for each stage (learner, restricted, and full) of the graduated driver licensing system (GDLS), effectively removing fees to resit, reschedule or cancel tests for driver licence test applicants. This change was intended to improve engagement and progression through the licensing system and to lessen cost as a barrier to gaining a licence.
- 5 While more people are now engaging with the licensing system, demand has since exceeded capacity for Class One (car) licence tests. There are more resits due to failed tests and more no-shows than anticipated. This has resulted in wait times of over 60 days in some areas.
- 6 Operational interventions are underway to improve wait times. However, even with these interventions, the average full test wait time as of mid-March was approximately seven weeks. I consider amendments to the fee system are needed urgently to address this.
- 7 To address this issue, I am seeking agreement to introduce an initial fee covering two tests (one free resit) for each Class One licence stage (i.e. learner, restricted, and full), including overseas conversions and licence reinstatements. Any additional tests will incur a resit fee.

- 8 Additionally, NZTA is required to charge a fee for people accessing information from the Motor Vehicle Register. This fee has been identified as a barrier to uptake of the new NZTA app.
- 9 I am also seeking agreement to amend regulations to enable the Registrar of Motor Vehicles to waive fees for accessing information from the Motor Vehicle Register on a class basis. This will allow the Registrar to waive the fee for requesting information from the Motor Vehicle Register for users of the NZTA app, removing barriers to uptake.

Background

People in New Zealand are driving without a licence

- 10 Drivers who do not progress through the GDLS have higher crash rates than drivers who engage with the system and progress to a full licence. A recent Ministry of Transport review of the GDLS found strong evidence that drivers who have not progressed to a full licence within roughly four years of obtaining their learner licence are approximately twice as likely to be involved in a crash.¹
- 11 Between 2019 and 2023, drivers without a current valid licence were involved in an estimated total of 1994 crashes in which at least one person received an injury.
- 12 The cost of re-sitting a test has been identified as a barrier to obtaining a driver licence.

In October 2023, resit fees were removed to improve driver licensing system accessibility and engagement

- 13 On 29 March 2023, the Cabinet Economic Development Committee agreed to introduce new all-in-one fees for each stage of the GDLS as part of the NZTA fees and funding review [DEV-23-MIN-0038]. These came into force on 1 October 2023, effectively removing resit fees for those who fail a driver licence test.

Analysis

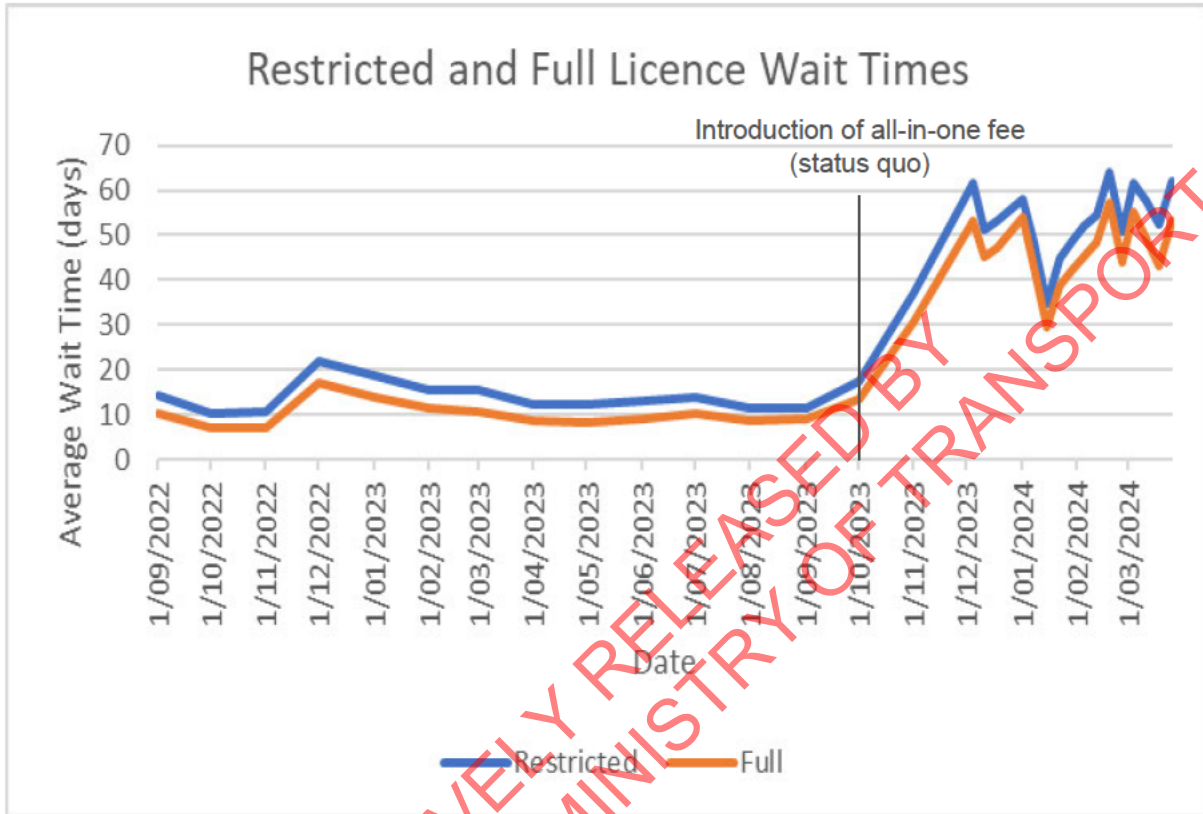
The removal of resit fees has led to increased wait times

- 14 Since the introduction of the new fee system in October 2023, more people are engaging with the licensing system. Approximately 300,000 people who have held learners or restricted Class One licences for more than two years are starting to reengage with the GDLS.
- 15 However, test failure rates and non-attendance (no-show) levels have been higher than expected, leading to increased resits. There have been approximately three resits per practical test. This has placed increased pressure on testing facilities and contributed to significantly longer wait times.

¹ Schiff, A. (2019). *Evaluation of the Graduated Driver Licensing System* (Transport Evidence Base Report 19/1 A). Ministry of Transport. <https://www.transport.govt.nz/assets/Uploads/Report/GDLS-evaluation-report.pdf>

In some parts of the country, the wait time for a practical Class One test has increased to over 60 days, from a baseline of 10 days prior to the changes.

- 16 Below is a graph displaying the increase in the average number of days waited for a full and restricted licence test, separated by month:



- 17 Record levels of immigration has compounded congestion in the system. Demand for overseas licence conversions, which typically require undergoing a full licence test, has grown in step with immigration. NZTA data shows that overseas conversions accounted for around 40 percent of all tests conducted in mid-March.

- 18 Operational interventions to reduce wait times have been implemented and continue to be explored. However, wait times remain unacceptable despite these efforts.

NZTA is not fully recovering licensing costs and existing policy settings lead to cross-subsidisation

- 19 In line with NZTA’s cost recovery principles and Treasury guidelines, NZTA seeks to recover the true costs of providing its services. The all-in-one policy introduced in October set fees at a level that assumed an average number of resits which is now lower than the true number, resulting in cost under-recovery.

- 20 High levels of cross-subsidisation are also occurring as individuals who require fewer resits to pass are paying for those who require more than the average number of resits.

- 21 Class Two to Six licences are not experiencing the same cost recovery and wait time issues. Providers are able to scale their operation to meet demand and additional resits are not being required at the same rate.

Information access fees are a barrier to uptake of the new NZTA app

- 22 NZTA is developing an app that will allow users to manage multiple vehicles in one place (for example, family members' vehicles that are not registered in their name), improving ease of compliance and allowing self-service.
- 23 Current regulations will require users to pay a fee each time a request is made to access information from the Motor Vehicle Register. This fee has been identified as a barrier to user adoption. Waiving this fee would remove this cost barrier, enabling potential future features such as change of address and buying road user charges, and enabling the app to be publicly launched after testing, which is due to begin shortly.
- 24 Amendments to the Regulations to introduce a new driver licensing fee system would also provide an opportunity to amend the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011 to enable waiving this fee on a class basis.

Proposed changes to GDLS test fees

Introduce a resit fee system that will improve wait times

- 25 I propose a new system which reduces the number of resits provided at no additional charge. Rather than one fee for each licensing stage, driver licence applicants will be charged an initial licence fee covering two tests only for each Class One driver licence stage (i.e. learner, restricted, and full), including for overseas conversions and licence reinstatements. Each additional test thereafter will be charged a new fee.
- 26 This proposal seeks to maintain accessibility while helping to reduce unacceptable wait times.
- 27 The proposed new system will apply only to Class One (car) licences. This will result in two different approaches for Class One licences and Class Two to Class Six licences (for heavy vehicles and motorcycles).

s 9(2)(f)(iv)

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- 30 Appendix One details the initial fee figures for each stage of the Class One licensing system. I intend to seek Cabinet Legislation Committee approval for the new fee figures for any additional resits following further cost modelling by NZTA.

These changes will reduce wait times and cross-subsidisation

- 31 I expect these changes to incentivise better preparedness and reduce no-shows, which will contribute to reduced resit numbers.
- 32 Under the proposed system, test applicants who require one test to pass will continue to cross-subsidise other test applicants as they will be paying a fee higher than the cost of an individual test. However, the level of cross-subsidisation by these applicants will be lower than under the current system.

Proposed changes to enable the launch of a new NZTA app

- 33 I also propose to enable the Registrar of Motor Vehicles to waive fees for accessing information from the Motor Vehicle Register on a class basis. This will allow the Registrar to waive the fee for requesting information from the Motor Vehicle Register for users of the NZTA app. I expect this to remove barriers to user adoption of the app.

Implementation

- 34 NZTA has estimated that following the determination of the final fees, it will be able to implement the required system changes on 1 July 2024.
- 35 Driver licence test providers Vehicle Testing New Zealand (VTNZ) and the Automobile Association (AA) will also require approximately six weeks to implement the fee change. This can occur alongside the NZTA system changes.
- 36 A transitional period is required. NZTA will need to operate the old (October 2023) and the new licensing fee systems in parallel to phase out applicant entitlement to unlimited resits at no additional cost.

Cost-of-Living Implications

- 37 While these changes may lead to increased costs for test applicants, I am satisfied that these costs are reasonably able to be avoided. The new system incentivises test applicants to be better prepared for tests.
- 38 I consider they are not of an overall level that will materially contribute to cost-of-living implications for the nation as a whole.

Financial Implications

- 39 NZTA estimates that its implementation costs would be approximately \$1,000,000. This reflects the system changes needed to implement the new fee structure and other costs such as website updates.

- 40 NZTA cost modelling is currently being conducted to determine the fee figures for this proposal. I intend to confirm the final fees at Cabinet Legislation Committee in June 2024.

Legislative Implications

- 41 The Land Transport (Regulatory Fees) Regulations 2023 will need to be amended to introduce the proposed fee system.
- 42 The Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011 will need to be amended to enable the Registrar of Motor Vehicles to waive the fee to access information from the Motor Vehicle Register for app users on a class basis.

Timing and the 28-day rule

- 43 I intend to seek a waiver to the 28-day rule that secondary legislation made by Order in Council must not come into force until at least 28 days after it has been notified in the *New Zealand Gazette* to avoid worsening long wait times and cost under-recovery. Given a transitional period is expected to be required following the new regulations coming into force, there is a risk that additional applicants may be motivated to enter the system during the gazetting period to gain eligibility for unlimited resits at no additional cost.

Impact Analysis

Regulatory Impact Statement

- 44 Cabinet's impact analysis requirements apply to the proposal to reintroduce driver licence resit fees for Class One Licences, but there is no accompanying Regulatory Impact Statement and the Treasury has not exempted the proposal from the impact analysis requirements. Therefore, it does not meet Cabinet's requirements for regulatory proposals.
- 45 The Treasury's Regulatory Impact Analysis team, the Ministry of Transport and NZTA have agreed that supplementary analysis will be provided at Cabinet Legislation Committee (LEG) in June 2024.

Climate Implications of Policy Assessment

- 46 A Climate Implications Policy Assessment was not undertaken as the proposals in this paper are not considered to have a meaningful impact on emissions.

Population Implications

- 47 The removal of no additional charges for resits may have a disproportionate impact on Māori and lower socio-economic communities. If multiple resits are required to pass a stage of the licensing system, the cost of each additional test will be felt more keenly by these groups.

Human Rights

- 48 This proposal is considered consistent with the New Zealand Bill of Rights Act 1990 and Human Rights Act 1993.

Use of External Resources

49 No external resources were used in the production of this Cabinet paper.

Consultation

50 NZTA was consulted during the development of this paper. The Department of the Prime Minister and Cabinet, Parliamentary Counsel Office, the Ministry of Social Development, New Zealand Police, and The Treasury were informed.

51 NZTA supports the proposed approach but notes that further work is required to calculate the final fees.

52 I note that I do not intend to engage with the public on this proposal. Public consultation was conducted in 2022 on driver licence fees as part of the NZTA fees and funding review. Instead, I will undertake targeted industry consultation with the Driving Change Network, Vehicle Testing New Zealand and the Automobile Association.

Communications

53 I intend to issue a media statement on the changes before the new regulations come into force, if the recommendations in this paper are agreed. I will work with NZTA to decide the most appropriate time for this announcement.

Proactive Release

54 I propose to defer the proactive release of this paper and associated Cabinet minutes until the amendments sought in this paper come into force. This will help to avoid worsening long wait times and cost under-recovery during the transitional period.

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Recommendations

The Minister of Transport recommends that the Committee:

The removal of resit fees has had unintended consequences

- 1 **note** that in March 2023, Cabinet agreed to the introduction of new all-in-one fees for each stage of the graduated driver licensing system [CAB-23-MIN-0111];
- 2 **note** that since the introduction of the new fee policy on 1 October 2023, wait times, cost under-recovery and cross-subsidisation have increased for Class One licence tests;
- 3 **note** that Class Two to Class Six licences (for heavy vehicles and motorcycles) are not experiencing the same cost recovery and wait time issues as Class One licences;

Introduce resit fees and adjust fee amounts

- 4 **note** that a new fee approach is required to address issues identified following the recent removal of resit fees;
- 5 **agree** to replace the current driver licensing fee system for Class One (car) licences, including overseas conversions and licence reinstatements, with a system that charges driver licence applicants with an initial licence fee covering two tests only for each Class One driver licence stage, and charges a new fee for each additional test thereafter;
- 6 **agree** in principle to introduce fees for additional resits for Class One licences, based on cost modelling by NZTA;
- 7 **agree** that the final Class One licence fee amounts will be approved by the Cabinet Legislation Committee once the New Zealand Transport Agency has completed cost modelling;
- 8 **note** that this proposal maintains some of the increased accessibility aspects of the current no additional charge for resits system by offering the first two tests at a lower price, and is expected to help address cross-subsidisation issues, and help reduce wait times;

- 9
- 10

s 9(2)(b)(v)

Enabling the NZTA App

- 11 **agree** to amend the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011 to enable the Registrar of Motor Vehicles to

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waive fees for accessing information from the Motor Vehicle Register on a class basis;

- 12 **note** that this power will enable the Registrar of Motor Vehicles to waive the fee for requesting information from the Motor Vehicle Register for users of the NZTA app;

Financial costs and implementation

- 13 **note** that NZTA have provided an estimated implementation timeframe of 1 July for the proposed new fee system;

Legislative implications

- 14 **agree** in order to achieve the recommendations above, to make amendments to:

14.1 The Land Transport (Regulatory Fees) Regulations 2023; and

14.2 The Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011 (together, the Amendment Regulations);

- 15 **authorise** the Minister of Transport to make any final decisions consistent with the overall policy provided on any issues that arise during the drafting of the Amendment Regulations, including transitional matters, and final decisions on the Class One licence fee amounts, subject to confirmation by the Cabinet Legislation Committee;

- 16 **invite** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to draft the Amendment Regulations, to give legislative effect to the above decisions, including any necessary savings and transitional provisions;

Impact analysis

- 17 **note** that supplementary analysis will be conducted to provide a Cost Recovery Impact Statement for Cabinet Legislation Committee approval in June 2024;

Consultation

- 18 **note** that the Minister of Transport will undertake targeted consultation with key industry stakeholders.

Authorised for lodgement

Hon Simeon Brown

Minister of Transport

Appendix One – Indicative Fee Figures for Class One Licence Applicants

Licence class	Number of attempts	Fees before 1 October 2023	Fees after 1 October 2023 (status quo - all-in-one fee)	Indicative proposed new fees (one fee covering two tests)
New class 1 learner	First attempt	\$93.90	\$96.10	\$96.10
	Second attempt	\$139.60	\$0	\$0
	Third attempt	\$185.30	\$0	TBC
New class 1 restricted	First attempt	\$134.80	\$167.50	\$167.50
	Second attempt	\$221.40	\$0	\$0
	Third attempt	\$308.00	\$0	TBC
New class 1 full	First attempt	\$109.50	\$98.90	\$98.90
	Second attempt	\$169.40	\$0	\$0
	Third attempt	\$229.30	\$0	TBC
Requalification reinstatement - Class 1 learner	First attempt	\$112.10	\$93.70	\$93.70
	Second attempt	\$157.80	\$0	\$0
	Third attempt	\$203.50	\$0	TBC
Requalification reinstatement - Class 1 restricted	First attempt	\$153.00	\$134.60	\$134.60
	Second attempt	\$239.60	\$0	\$0
	Third attempt	\$326.20	\$0	TBC
Requalification reinstatement - Class 1 full	First attempt	\$126.30	\$107.90	\$107.90
	Second attempt	\$186.20	\$0	\$0
	Third attempt	\$246.10	\$0	TBC
Overseas licence conversion - Class 1 learner (Non-Exempt)	First attempt	\$96.70	\$96.10	\$96.10
	Second attempt	\$142.40	\$0	\$0
	Third attempt	\$188.10	\$0	TBC
Overseas licence conversion - Class 1 restricted (Non-Exempt)	First attempt	\$183.30	\$213.20	\$213.20
	Second attempt	\$315.60	\$0	\$0
	Third attempt	\$447.90	\$0	TBC
Overseas licence conversion - Class 1 full (Non-Exempt)	First attempt	\$156.60	\$144.60	\$144.60
	Second attempt	\$262.20	\$0	\$0
	Third attempt	\$367.80	\$0	TBC

Note: these fee figures are GST inclusive.



Cabinet Business Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Reintroducing Driver Licence Resit Fees and Enabling the NZTA App

Portfolio Transport

On 15 April 2024, the Cabinet Business Committee:

The removal of resit fees has had unintended consequences

- 1 **noted** that in March 2023, the previous government agreed to the introduction of new all-in-one fees for each stage of the graduated driver licensing system [CAB-23-MIN-0111];
- 2 **noted** that, since the introduction of the new fee policy on 1 October 2023, wait times, cost under-recovery and cross-subsidisation have increased for Class One (car) licence tests;
- 3 **noted** that Class Two to Class Six licences (for heavy vehicles and motorcycles) are not experiencing the same cost recovery and wait time issues as Class One licences;

Introduce resit fees and adjust fee amounts

- 4 **noted** that a new fee approach is required to address issues identified following the recent removal of resit fees;
- 5 **agreed** to replace the current driver licensing fee system for car licences, including overseas conversions and licence reinstatements, with a system that charges driver licence applicants with an initial licence fee covering two tests only for each Class One driver licence stage, and charges a new fee for each additional test thereafter;
- 6 **agreed in principle** to introduce fees for additional resits for Class One licences, based on cost modelling by New Zealand Transport Agency (NZTA), subject to further advice on fee amounts;
- 7 **noted** that the Minister of Transport will seek agreement from the Cabinet Legislation Committee to the final Class One licence fee amounts, once NZTA has completed cost modelling;
- 8 **noted** that the decision under CBC-24-SUB-0016 maintains some of the increased accessibility aspects of the current 'no additional charge for resits' system by offering the first two tests at a lower price, which is expected to help address cross-subsidisation issues, and reduce wait times;

s 9(2)(f)(iv)

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

Enabling the NZTA App

- 11 **agreed** to amend the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011 to enable the Registrar of Motor Vehicles to waive fees for accessing information from the Motor Vehicle Register on a class basis;
- 12 **noted** that the decision referred to in paragraph 11 will enable the Registrar of Motor Vehicles to waive the fee for requesting information from the Motor Vehicle Register for users of the NZTA app;

Implementation

- 13 **noted** that NZTA have provided an estimated implementation timeframe of 1 July 2024 for the new fee system;

Legislative implications

- 14 **agreed** to make amendments to the following legislation, to give effect to the decisions under CBC-24-MIN-0016:
- 14.1 the Land Transport (Regulatory Fees) Regulations 2023; and
- 14.2 the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011; (the Amendment Regulations)
- 15 **authorised** the Minister of Transport to make final decisions, consistent with the overall policy under CBC-24-SUB-0016, on any issues that arise during the drafting of the Amendment Regulations, including transitional matters, and final decisions on the Class One licence fee amounts, subject to confirmation by the Cabinet Legislation Committee;
- 16 **invited** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to draft the Amendment Regulations to give legislative effect to the above decisions, including any necessary savings and transitional provisions;

Impact analysis

- 17 **noted** that supplementary analysis will be conducted to provide a Cost Recovery Impact Statement for submission alongside the paper for the Cabinet Legislation Committee in June 2024;

Consultation

18 **noted** that targeted consultation will be undertaken with key industry stakeholders.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Winston Peters (Chair)
Hon David Seymour
Hon Nicola Willis
Hon Brooke van Velden
Hon Shane Jones
Hon Dr Shane Reti
Hon Simeon Brown
Hon Erica Stanford
Hon Paul Goldsmith
Hon Louise Upston
Hon Judith Collins
Hon Matt Doocey
Hon Andrew Bayly

Officials present from:

Department of the Prime Minister and Cabinet

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Cabinet

Minute of Decision

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Report of the Cabinet Business Committee: Period Ended 19 April 2024

On 29 April 2024, Cabinet made the following decisions on the work of the Cabinet Business Committee for the period ended 19 April 2024:

CBC-24-MIN-0016 **Reintroducing Driver Licence Resit Fees and Enabling the NZTA App** CONFIRMED
Portfolio: Transport

Out of Scope

Rachel Hayward
Secretary of the Cabinet

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Office of the Minister of Transport

Cabinet Legislation Committee

REINTRODUCING DRIVER LICENCE RESIT FEES AND ENABLING THE NZTA APP

Proposal

- 1 This paper seeks authorisation for submission to the Executive Council of the:
 - 1.1 Land Transport (Regulatory Fees) Amendment Regulations 2024; and
 - 1.2 Land Transport (Motor Vehicle Registration and Licensing) Amendment Regulations 2024;(together “the Amendment Regulations”).

Executive Summary

- 2 The Amendment Regulations will:
 - 2.1 Replace the current ‘unlimited free resits’ approach for Class One (car) driver licence tests with ‘one free resit’, reintroducing a fee for any subsequent resits;
 - 2.2 Remove the current ‘unlimited free resits’ for converting an overseas licence to a New Zealand licence by reintroducing a fee for all resits and changing the fees levels; and
 - 2.3 enable the waiver of an information access fee for NZTA App users on a class basis.
- 3 These changes are necessary to reduce the unacceptably long wait times currently experienced by licence applicants and to reduce the high levels of cross-subsidisation in place under the current fee system.
- 4 A 3-month transitional period will be introduced for the licensing fee system where the old and new systems will be operated in parallel. This will allow current applicants who have paid for an application to be phased out of the system without immediately removing their entitlement to unlimited free resits.
- 5 The waiver of the fee to access information from the Motor Vehicle Register for NZTA app users (as a class) is necessary to remove barriers to uptake of the app.

Policy

Background

- 6 On 1 October 2023, the Land Transport (Regulatory Fees) Regulations 2023 came into force. These regulations introduced an all-in-one fee for each stage (learner, restricted, and full) of the graduated driver licensing system, effectively removing fees to resit, reschedule or cancel tests for driver licence test applicants.
- 7 Demand has since exceeded capacity for Class One (car) licence tests. There are more resits due to failed tests and more no-shows than anticipated. This has resulted in wait times of over 60 days in some areas – national average wait times were approximately 10-15 days before 1 October 2023.
- 8 Demand for overseas conversions has grown in step with immigration and is another significant contributor to the current long wait times. In March 2024, they accounted for 62 percent of all full licence tests.
- 9 Although operational interventions have been made, they have been unable to reduce wait times to acceptable levels. Amendments to the fee system are urgently required. I find that the unlimited resits fee structure introduced on 1 October 2023 where test resits have no additional charge, was poorly planned and did not consider the future of the driver licensing system and the government's ability to respond to issues in that system.
- 10 Additionally, NZTA is required to charge a fee for people accessing information from the Motor Vehicle Register. This fee has been identified as a barrier to uptake of the new NZTA app. A class waiver provision is required to enable the Registrar of Motor Vehicles to waive this fee, removing this barrier and enabling the app to be publicly launched.

Cabinet agreement

- 11 To address these issues, on 29 April 2024 [CBC-24-MIN-0016 and CAB-24-MIN-0135 refers] Cabinet:
 - 11.1 agreed to replace the current driver licensing fee system for car licences, including overseas conversions and licence reinstatements, with a system that charges driver licence applicants with an initial licence fee covering two tests only for each Class One (car) driver licence stage, and charges a new fee for each additional test thereafter;
 - 11.2 agreed in principle to introduce fees for additional resits for Class One licences, based on cost modelling by NZTA, subject to further advice on fee amounts;
 - 11.3 agreed to amend the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011 to enable the Registrar of Motor Vehicles to waive fees for accessing information from the Motor Vehicle Register on a class basis;

Proposed fee changes

- 12 I am now seeking approval of the specific proposed fee changes, as outlined in the table in Appendix One.
- 13 The reintroduction of resit fees is intended to incentivise applicant preparedness and reduce no-shows. The additional test fees will also reduce cross subsidisation between applicants and from the taxpayer. The proposed initial application fees remain the same as the current 'all-in-one' fees in place since October 2023 but now provide only one free resit, except for overseas licence conversions.
- 14 For Class One licences (excluding overseas conversions) the fee for any additional test beyond the first two tests is calculated on a partial cost-recovery basis.
- 15 For overseas licence conversions, rather than allowing one free resit, I propose to charge applicants for each test required, set at pre-October 2023 fee levels. This proposal supports greater cost recovery and a faster improvement in wait times.
- 16 This approach differs to what was initially agreed by Cabinet both on the level of the fee, and that overseas licence conversion applications will not have a 'free resit'.
- 17 The proposed fees for Class One licences (including overseas conversions) are outlined in Appendix One. More information on how the fees were calculated can be found in the Cost Recovery Impact Statement attached as Appendix Two.

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



A transitional period is required

19 s 9(2)(h)



- 21 Cabinet authorised me to make decisions on this period, subject to confirmation by this Committee. I propose to establish a 3-month transitional period where the old and new licensing fee systems operate in parallel. Applicants applying for a Class One licence after the new regulations come into force on 8 July 2024 will be charged according to the new fee system. Applicants who have applied for a Class One licence but not yet passed prior to 8 July 2024, will retain their eligibility for unlimited free resits for a further three months until 7 October 2024. This will allow applicants who have paid

the application fee understanding it to include unlimited tests to have time to progress to the next licensing phase, before the expected benefit of unlimited free resits is removed.

- 22 I have assessed three months as a reasonable period. I have made my expectation clear to NZTA to reduce wait times to no more than 30 days. The three-month transition period is based on the best-case scenario of enabling a person two free resits in line with this expectation.
- 23 This three-month period balances the need to bring everyone under the same fees system, while preserving for a limited time for current applicants to receive the benefit of unlimited resits they understood as included in their initial application fee. A longer transition period does not align with the policy intent of the proposed fee system changes, which is to reduce wait times.

I have made my expectations clear to the NZTA board and will continue to explore options to reduce wait times

- 24 I have sent a letter of expectations to the NZTA board, making clear my concerns with the current wait times and my expectation that NZTA take urgent operational action to address this issue and advise me of any further policy changes that would assist to improve operational performance.

Timing and the 28-day rule

- 25 The proposed Land Transport (Regulatory Fees) Amendment Regulations will come into force on 8 July 2024 as NZTA must make changes to their fees system at the beginning of the month.
- 26 The proposed Land Transport (Motor Vehicle Registration and Licensing) Amendment Regulations will come into force on 4 July 2024, to allow the NZTA App to go public as soon as possible.
- 27 I seek a waiver of the 28-day rule that secondary legislation made by Order in Council must not come into force until at least 28 days after it has been notified in the *New Zealand Gazette*.
- 28 If the rule is not waived for the Regulatory Fees Amendment Regulations, there is a risk that additional applicants may enter the system during the 28 days and gain eligibility for unlimited resits over the transitional period. This would worsen wait times, which is counter to the intended outcome of the fee system changes.
- 29 Waiving the 28-day rule for the Motor Vehicle Registration and Licensing Amendment Regulations will enable the NZTA App to go public as soon as possible. Enabling the Registrar to waive fees on a class basis will only confer a benefit on the public which is consistent with the Cabinet Manual 2023 as appropriate grounds for waiving the rule, and will support self-compliance with the motor vehicle regulatory system.

Compliance

- 30 The proposed regulations comply with:
 - 30.1 The principles of the Treaty of Waitangi;
 - 30.2 The rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - 30.3 The principles and guidelines set out in the Privacy Act 1993;
 - 30.4 Relevant international standards and obligations;
 - 30.5 Subject to the comments below the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

Legislation Guidelines – retrospectivity

s 9(2)(h)



Legislation Guidelines - class waiver

- 33 The Land Transport (Motor Vehicle Registration and Licensing) Amendment Regulations 2024 enable class waivers (by a class of persons or in relation to a class of vehicles) of the fees for information from the Motor Vehicle Register, if the Registrar considers that it would help to implement any system that promotes efficient compliance with a land transport Act. As a form of secondary legislation, it is appropriate for the Registrar to be constrained to making class waivers only for this purpose.

Regulations Review Committee

s 9(2)(h)



s 9(2)(h)

Certification by Parliamentary Counsel

- 35 PCO has certified the Land Transport (Motor Vehicle Registration and Licensing) Amendment Regulations.
- 36 PCO’s certification of the Amendment Regulations is qualified in that they will both come into force earlier than the 28th day after their notification in the *Gazette*.

s 9(2)(h)

Impact Analysis

- 38 As part of the Cabinet decision to reintroduce driver licence resit fees, it was agreed that the Cost Recovery Impact Statement (CRIS) would accompany the paper for Cabinet Legislation Committee given the necessary cost modelling had yet to be completed. The CRIS is therefore attached as Appendix Two.
- 39 This Stage 2 Cost Recovery Impact Statement has been reviewed by a panel of representatives from the Ministry of Transport. It has been given a ‘partially

meets' rating against the quality assurance criteria for the purpose of informing Cabinet decisions.

- 40 The CRIS clearly shows that the transfers and subsidies introduced into the licensing fee on 1 October 2023 will be reduced. It therefore presents a convincing case that the Government's proposal will be an improvement on the status quo. However, the CRIS lacks analysis of other options, which could be more effective at addressing the problem, and has not been informed by public consultation. ^{s 9(2)(f)(iv)}

Publicity

- 41 I intend to issue a media statement on the changes following Cabinet approval, before the Land Transport (Regulatory Fees) Amendment Regulations 2024 come into force. This announcement will be carefully managed to avoid creating additional pressure on the driver licensing system and worsening wait times.

Proactive Release

- 42 I propose to defer the proactive release of this paper and associated Cabinet minutes until the amendments sought in this paper come into force. This will help to avoid worsening long wait times and cost under-recovery during the transitional period.

- 43 ^{s 9(2)(f)(iv)}

Consultation

- 44 NZTA, Parliamentary Counsel Office, the Ministry of Social Development, New Zealand Police, the Treasury, and Whaikaha Ministry of Disabled People were consulted on the development of this paper. Department of the Prime Minister and Cabinet was informed.

- 45 ^{s 9(2)(h)}

- 46

- 47 The public was not engaged on this proposal to avoid additional applicants entering the system and exacerbating long wait times. Public consultation was conducted in 2022 on driver licence fees as part of the NZTA fees and funding review. Instead, targeted industry consultation was undertaken with the Driving Change Network, Vehicle Testing New Zealand and the Automobile Association.

Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that in April 2024, the Cabinet Business Committee agreed:
 - 1.1 to replace the current driver licensing fee system for car licences, including overseas conversions and licence reinstatements, with a system that charges driver licence applicants with an initial licence fee covering two tests only for each Class One driver licence stage, and charges a new fee for each additional test thereafter [CBC-24-MIN-0016 refers];
 - 1.2 in principle to introduce fees for additional resits for Class One licences, based on cost modelling by New Zealand Transport Agency (NZTA), subject to further advice on fee amounts;
 - 1.3 to amend the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011 to enable the Registrar of Motor Vehicles to waive fees for accessing information from the Motor Vehicle Register on a class basis;
- 2 **note** that the Land Transport (Regulatory Fees) Amendment Regulations 2024 and the Land Transport (Motor Vehicle Registration and Licensing) Amendment Regulations 2024 (together the "Amendment Regulations") will give effect to recommendation 1 above;
- 3 **agree** to the new additional testing fees as set out in Appendix One;
- 4 **agree** to the new test fees for Class One overseas licence conversions in Appendix One, which place all fees at pre-October 2023 levels before unlimited resits at no additional cost were introduced;
- 5 **agree** to charge Class One overseas licence conversion applicants for each test required, removing all resits at no additional charge;
- 6 **confirm** my decision to include a transition period of three months in the Land Transport (Regulatory Fees) Amendment Regulations 2024 where current applicants in the driver licensing system continue to have unlimited test resits without additional charge for three months;
- 7 **note** that the Land Transport (Regulatory Fees) Amendment Regulations 2024 and the Land Transport (Motor Vehicle Registration and Licensing) Amendment Regulations 2024 (together the "Amendment Regulations") will give effect to recommendation 1 above;
- 8 **agree** to a waiver of the 28-day rule for the:
 - 8.1 Land Transport (Regulatory Fees) Amendment Regulations, proposed to come into force on 8 July 2024;
 - 8.2 Land Transport (Motor Vehicle Registration and Licensing) Amendment Regulations, proposed to come into force on 4 July 2024.

- 9 **authorise** the submission of the Amendment Regulations to the Executive Council.

Authorised for lodgement

Hon Simeon Brown

Minister for Transport

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Appendix 1 - Proposed fees (GST exclusive)

Proposed Class One licence fees (except for overseas conversions) - Single fee covering two tests with a further fee for each additional re-sit thereafter

Proposed Class One licence fees (except for overseas conversions)	Status quo (GST exclusive)	Proposed new Fees (GST exclusive)							
		Licence stage	All-in-one fee (current)	Application fee [A]	Test fee covering first two tests [B]		Total fee for first two tests ([A] + [B])	Test fee for third test and thereafter	
					Theory test	Practical test		Theory test	Practical test
New Class 1 learner	\$83.57	N/A	N/A	N/A	N/A	\$83.57	\$47.48	N/A	
New Class 1 restricted	\$145.65	N/A	N/A	N/A	N/A	\$145.65	N/A	\$89.39	
New Class 1 full	\$86.00	N/A	N/A	N/A	N/A	\$86.00	N/A	\$62.52	
Requalification reinstatement - Class 1 learner	\$87.04	N/A	N/A	N/A	N/A	\$87.04	\$47.48	N/A	
Requalification reinstatement - Class 1 restricted	\$87.04	N/A	N/A	N/A	N/A	\$87.04	\$47.48	\$89.39	
Requalification reinstatement - Class 1 full	\$87.04	N/A	N/A	N/A	N/A	\$87.04	\$47.48	\$62.52	
Alcohol interlock device licence reinstatement - Class 1 learner	\$66.96	\$27.22	\$39.74	N/A	N/A	\$66.96	\$47.48	N/A	
Alcohol interlock device licence reinstatement - Class 1 restricted	\$142.26	\$27.22	\$39.74	\$75.30	\$75.30	\$142.26	\$47.48	\$89.39	
Alcohol interlock device licence reinstatement - Class 1 full	\$119.05	\$27.22	\$39.74	\$52.09	\$52.09	\$119.05	\$47.48	\$62.52	
Zero blood alcohol licence reinstatement-Class 1 learner	\$72.18	\$32.44	\$39.74	N/A	N/A	\$72.18	\$47.48	N/A	
Zero blood alcohol licence reinstatement - Class 1 restricted	\$147.48	\$32.44	\$39.74	\$75.30	\$75.30	\$147.48	\$47.48	\$89.39	
Zero blood alcohol licence	\$124.27	\$32.44	\$39.74	\$52.09	\$52.09	\$124.27	\$47.48	\$62.52	

IN CONFIDENCE

reinstatement - Class 1 full							
Test reschedule fee - per test reschedule if cancellation made within 2 working days	N/A	N/A	\$14.26	\$14.26	N/A	\$14.26	\$14.26

Proposed Class One licence fees for overseas conversions – Single fee for each test

Licence stage	Status quo (GST exclusive)	Proposed new fees (GST exclusive)			
	All-in-one fee (current)	Initial application fee	Theory test ¹	Practical test	Total fee
Overseas licence conversion - Class 1 learner (Non-Exempt)	\$83.57	\$45.30	\$39.74	N/A	\$85.04
Overseas licence conversion - Class 1 restricted (Non-Exempt)	\$185.39	\$45.30	\$39.74	\$75.30	\$160.34
Overseas licence conversion - Class 1 full (Non-Exempt)	\$125.74	\$45.30	\$39.74	\$52.09	\$137.13
Overseas licence conversion - Class 1 learner (Exempt)	\$22.96	\$45.30	N/A	N/A	\$45.30
Overseas licence conversion - Class 1 restricted (Exempt)	\$97.74	\$45.30	N/A	\$75.30	\$120.60
Overseas licence conversion - Class 1 full (Exempt)	\$75.05	\$45.30	N/A	\$52.09	\$97.39

¹ The cost of a resit for overseas licence conversion applicants will be the same as the theory and practical test amounts provided in this table. There will be no difference between the initial test fee and the cost of subsequent resits for overseas licence conversions. This is due to applicants paying per test, rather than having an initial fee covering two tests (one free resit, for which the fee amounts were calculated based on the average number of tests required to pass under all-in-one fee regulatory settings) like for other Class One licence fees.

Appendix 2 – Cost Recovery Impact Statement

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Stage 2 Cost Recovery Impact Statement: Changing Class 1 driver licence fees

Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Ministry of Transport. It relies on significant input from the NZ Transport Agency Waka Kotahi (NZTA).

Context and Purpose of this CRIS

On 29 April 2024, Cabinet [CAB-24-MIN-0135 refers] agreed:

- to replace the current driver licensing fee system for car licences, including overseas conversions and licence reinstatements, with a system that charges driver licence applicants with an initial licence fee covering two tests only for each Class One driver licence stage, and charges a new fee for each additional test thereafter.
- in principle to introduce fees for additional resits for Class One licences, based on cost modelling by NZTA, subject to further advice on fee amounts.

This CRIS fulfils the requirement in point two above to provide cost modelling so that Cabinet Legislation Committee can agree to the final licence fee amounts.

Limitations and assumptions

- Cabinet has already agreed to the policy to support this fee change and to the policy rationale. This CRIS does not repeat that analysis.
- Cabinet has decided the initial application fee covering the first two tests of a licence stage will remain at the current all-in-one fee amounts.
- The fee level for additional resits (i.e. the third and each subsequent test) will be set at a level, based on NZTA cost modelling, that covers the cost of each additional test.
- The Minister of Transport is seeking LEG agreement that overseas licence conversion fees return to the level they were before 1 October 2023, and do not provide tests for no additional fee. This CRIS does not consider alternative options.
- Targeted consultation with driver licence testing providers (AA and VTNZ), but no public consultation, has been undertaken on the proposed fees.

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

Changes are expected to take effect on 8 July 2024, with a three-month transition for those already in the system. NZTA will monitor the impact of new settings on applicant behaviour and cost recovery. s 9(2)(f)(iv)

Paul O'Connell
Deputy Chief Executive, Sector Strategy
Ministry of Transport

Date: 19 June 2024

Executive summary

On 1 October 2023, the Land Transport (Regulatory Fees) Regulations 2023 came into force. These regulations introduced a one-off initial application fee (all-in-one fee) for each stage (learner, restricted, and full) of the graduated driver licensing system, with no additional cost for resits.

Demand for tests now greatly exceeds capacity and wait times in some places have exceeded 60 days (compared to a baseline of 10–15 days before October 2023). High levels of cross-subsidisation are also occurring as individuals who require fewer resits are funding those who require more resits than average.

To address this problem, on 29 April 2024 Cabinet agreed to maintain fees at their current level for each Class 1 licence stage (learner, restricted, and full), but agreed that these fees will only cover two tests: one initial and one resit (if needed) [CAB-24-MIN-0135 refers]. This means any additional tests will incur a resit fee.

In June 2024, the Minister of Transport will be seeking Cabinet Legislation Committee's approval for overseas licence conversion fees to revert to the level they were at before 1 October 2023, for one test only.

This CRIS considers the impacts of Cabinet's preferred change package (the "change package") relative to the status quo (the 'all-in-one' fee system introduced in October 2023) and decisions taken by the Minister of Transport (e.g. the level the fees have been set) in line with Cabinet's authorisation.

Based on the analysis and comparison conducted in this CRIS, the change package is preferable to the status quo because it will:

- incentivise test applicants to be more prepared for tests, thereby increasing pass rates and reducing testing demand and wait times
- reduce cross-subsidisation
- leave some support in place for people who have re-engaged with the licensing system following the October 2023 change (by providing one resit as part of the license fee)
- reduce (but not eliminate) cost under-recovery.

NZTA will monitor the impact of new settings on applicant behaviour and cost recovery. ^{s 9(2)(f)(iv)}

Status quo

- 1 As part of wider changes to regulatory fees and funding, an "all-in-one" driver licence fee was introduced for each stage of the driver licensing system in October 2023 to lessen cost as a barrier to gaining a licence. Effectively, this removed resit fees for those who fail either a theory or practical test.
- 2 The "All-in-one" fees were calculated on a full cost recovery basis, including through cross-subsidisation within each licence stage (learner, restricted, and full). The fee calculations assumed pass rates for each licence stage for each type of licence and across all classes of licence. As pass rates vary across licence stages, type, and

class, the inherent level of cross-subsidisation built into the “all-in-one” fee for each was different.

- 3 The “all-in-one” fees were also calculated to cover a multi-year period using NZTA’s cost recovery principles (the principles are presented in Appendix 1). This means that test applicants who enter the system early in the period cross-subsidise those who enter the system later in the period as the fees are static over the period to account for changes to costs over time such as inflation.
- 4 Further details on the underlying assumptions and the “all-in-one” fees are presented in the CRIS for changes to land transport regulatory charges and fees which was prepared in 2023 ahead of the October 2023 changes¹.
- 5 As a result, demand has significantly exceeded system capacity. As of May 2024, Class One driver licence test wait times exceeded 50 and 60 days respectively for both restricted and full licence tests in all regions, compared to a pre-change baseline of 10–15 days.
- 6 Pass rates for Class 1 tests have changed over time. For example, for applicants who passed their test in May 2023 the average number of tests taken to pass was 1.47 for learner, 1.93 for restricted, and 1.60 for full compared to 1.83, 1.86, and 1.86 respectively in May 2024.
- 7 The main drivers of increased testing are:
 - 7.1 increased resit numbers resulting from decreased pass rates, increased no-shows, and people already in the system applying for resit tests.
 - 7.2 record net migration of 128,900 people to New Zealand from October 2022 to October 2023. Demand for overseas licence conversions accounted for around 40 percent of all tests conducted in mid-March 2024.

Cabinet and Ministerial decisions

- 8 On 29 April 2024, Cabinet [CAB-24-MIN-0135 refers]:
 - 8.1 agreed to replace the current driver licensing fee system for car licences, including overseas conversions and licence reinstatements, with a system that charges driver licence applicants with an initial licence fee covering two tests only for each Class One driver licence stage, and charges a new fee for each additional test thereafter;
 - 8.2 agreed in principle to introduce fees for additional resits for Class One licences, based on cost modelling by NZTA, subject to further advice on fee amounts;
 - 8.3 authorised the Minister of Transport to make final decisions, consistent with the overall policy under CBC-24-SUB-0016, on any issues that arise during the drafting of the Amendment Regulations, including transitional matters, and final decisions on the Class One licence fee amounts, subject to confirmation by the Cabinet Legislation Committee;

¹ <https://www.nzta.govt.nz/assets/regulatory/funding-and-fees/cost-recovery-impact-statement.pdf>

9 As such, the scope of this CRIS is limited to the approach Cabinet has agreed.

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

The level of the proposed fee and its cost components

11 Based on the above in-principle agreement from Cabinet, the Minister will take a different approach to domestic Class 1 and reinstatement licence fees relative to overseas licence conversions.

Class one licence fees (except overseas conversions)

12 NZTA has calculated resit fees for the third and subsequent tests to cover the cost of each additional test only.

13 The advantages of the new fee settings (a single fee covering two tests, and a new resit fee for the second and subsequent resits) compared to the current “all-in-one” settings include:

13.1 test applicants being incentivised to be more prepared for tests, which will reduce the demand on the licensing system

13.2 a reduction in cross-subsidisation, since only one ‘free’ resit is included.

14 The below table outlines the current and proposed future fees.

Proposed Class One licence fees (except for overseas conversions)	Status quo (GST exclusive)	Proposed new Fees (GST exclusive)					
		All-in-one fee (current)	Application fee [A]	Test fee covering first two tests [B] Theory test	Test fee covering first two tests [B] Practical test	Total fee for first two tests ([A] + [B])	Test fee for third test and thereafter Theory test
New Class 1 learner	\$83.57	N/A	N/A	N/A	\$83.57	\$47.48	N/A
New Class 1 restricted	\$145.65	N/A	N/A	N/A	\$145.65	N/A	\$89.39
New Class 1 full	\$86.00	N/A	N/A	N/A	\$86.00	N/A	\$62.52
Requalification reinstatement - Class 1 learner	\$87.04	N/A	N/A	N/A	\$87.04	\$47.48	N/A
Requalification reinstatement - Class 1 restricted	\$87.04	N/A	N/A	N/A	\$87.04	\$47.48	\$89.39
Requalification reinstatement - Class 1 full	\$87.04	N/A	N/A	N/A	\$87.04	\$47.48	\$62.52

Proposed Class One licence fees (except for overseas conversions)	Status quo (GST exclusive)	Proposed new Fees (GST exclusive)					
		All-in-one fee (current)	Application fee [A]	Test fee covering first two tests [B] Theory test	Test fee covering first two tests [B] Practical test	Total fee for first two tests ([A] + [B])	Test fee for third test and thereafter Theory test
Alcohol interlock device licence reinstatement - Class 1 learner	\$66.96	\$27.22	\$39.74	N/A	\$66.96	\$47.48	N/A
Alcohol interlock device licence reinstatement - Class 1 restricted	\$142.26	\$27.22	\$39.74	\$75.30	\$142.26	\$47.48	\$89.39
Alcohol interlock device licence reinstatement - Class 1 full	\$119.05	\$27.22	\$39.74	\$52.09	\$119.05	\$47.48	\$62.52
Zero blood alcohol licence reinstatement - Class 1 learner	\$72.18	\$32.44	\$39.74	N/A	\$72.18	\$47.48	N/A
Zero blood alcohol licence reinstatement - Class 1 restricted	\$147.48	\$32.44	\$39.74	\$75.30	\$147.48	\$47.48	\$89.39
Zero blood alcohol licence reinstatement - Class 1 full	\$124.27	\$32.44	\$39.74	\$52.09	\$124.27	\$47.48	\$62.52
Test reschedule fee - per test reschedule if cancellation made within 2 working days	N/A	N/A	\$14.26	\$14.26	N/A	\$14.26	\$14.26

15 The fee settings introduced in October 2023 have proven to be financially unsustainable, with NZTA's costs of providing driver licensing services exceeding revenues. As the single fee covering two tests is not changing for Class 1 domestic licences (including reinstatements), NZTA anticipates this cost under-recovery will continue at lower levels. NZTA estimates the annual cost under-recovery under the new fee settings for Class 1 licences (including reinstatements and overseas conversions) to be around \$5.6 million (the chart at the end of Appendix 2 provides more detail on this figure).

- 16 NZTA's modelling does not explicitly consider cross-subsidisation but we anticipate that:
- 16.1 the costs of providing Class 1 domestic licence (including reinstatement) services will continue to exceed revenues, there will be no cross-subsidisation by applicants across licence stages (for example, of applicants sitting full licence tests by those sitting restricted licence tests).
 - 16.2 cross-subsidisation by applicants within a licence stage will reduce compared to the current fee settings and be limited to the single fee covering two tests.
- 17 NZTA has advised that it is currently bearing the impacts of ongoing cost under-recovery through its Driver Licencing and Testing memorandum account. Overseas licence conversions
- 18 The Minister has directed a complete return to the structure and fees as they were before 1 October 2023. This means:
- 18.1 Overseas licence conversions pay for every test (no free resits)
 - 18.2 Fees are changed back to their previous level.
- 19 This policy aims to incentivise drivers requiring overseas licence conversions to prepare adequately for tests.

Licence stage	Status quo (GST exclusive)	Proposed new fees (GST exclusive)			
	All-in-one fee (current)	Initial application fee	Theory test	Practical test	Total fee
Overseas licence conversion - Class 1 learner (Non-Exempt)	\$83.57	\$45.30	\$39.74	N/A	\$85.04
Overseas licence conversion - Class 1 restricted (Non-Exempt)	\$185.39	\$45.30	\$39.74	\$75.30	\$160.34
Overseas licence conversion - Class 1 full (Non-Exempt)	\$125.74	\$45.30	\$39.74	\$52.09	\$137.13
Overseas licence conversion - Class 1 learner (Exempt)	\$22.96	\$45.30	N/A	N/A	\$45.30
Overseas licence conversion - Class 1 restricted (Exempt)	\$97.74	\$45.30	N/A	\$75.30	\$120.60
Overseas licence conversion - Class 1 full (Exempt)	\$75.05	\$45.30	N/A	\$52.09	\$97.39

Note - The cost of a resit for overseas licence conversion applicants will be the same as the theory and practical test amounts provided in this table. There will be no difference between the initial test fee and the cost of subsequent resits for overseas licence conversions. This is due to applicants paying per test, rather than having an initial fee covering two tests like for other Class One licence fees.

- 20 NZTA has advised that the majority of overseas conversion tests are for learner and full licence stages. For these tests, the new fees are higher than the current fees. As such, the NZTA anticipates the cost under-recovery associated with these tests will reduce.

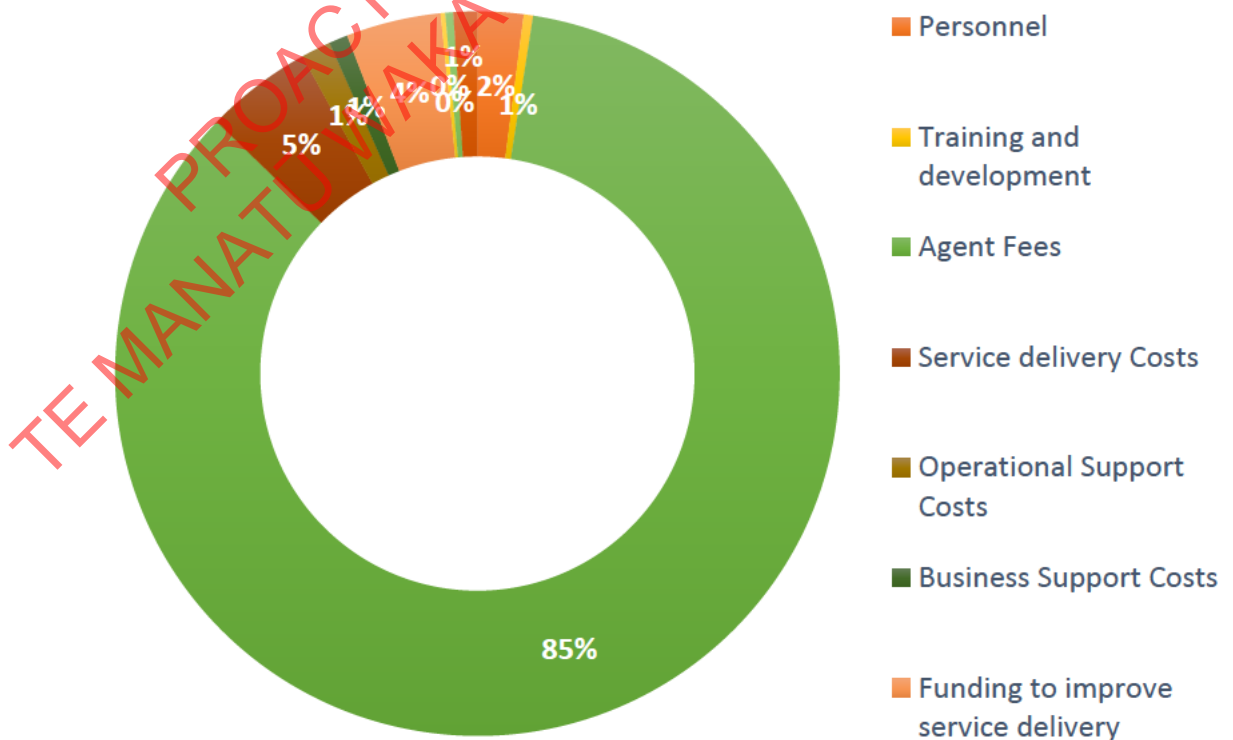
- 21 NZTA's modelling does not explicitly consider cross-subsidisation but we anticipate that:
- 21.1 as NZTA's costs of providing Class 1 overseas conversion services will continue to exceed revenues, applicants sitting overseas conversion tests will not be cross-subsidising applicants sitting Class 1 domestic (including reinstatement) tests.
 - 21.2 as applicants will pay a fee per test there will no longer be cross-subsidisation within each licence stage.

Implications of new fee settings

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

23 The diagram below presents the cost components for the fee calculation. The highest cost component is agent (provider) fees. Given issuing driver licences and testing require face-to-face service delivery, this cost component is expected to remain dominant (further detail on the approach to fee calculation can be found in Appendix 2.).

Figure A2.1: Annual average expenditure breakdown (percentage) for the forecast period (2024/25 to 2029/30)



Annual average expenditure breakdown (amount) for the forecast period (2024/25 to 2029/30)

Cost component	Total (\$m)
Personnel	\$1.0
Training and development	\$0.2
Agent Fees	\$40.1
Service delivery Costs	\$2.2
Operational Support Costs	\$0.6
Business Support Costs	\$0.4
Funding to improve service delivery	\$2.0
Funding the reintroduction of fee waivers	\$0.1
Recover fee review implementation costs	\$0.2
Funding transition arrangements	\$0.5
Total	\$47.3

Impact analysis

24 The table below summarises the impacts of the fee changes.

Impacts of proposed fee changes on stakeholders

<p>Licence applicants</p>	<p>Approximately 100,000 new drivers enter the licensing system for a Class 1 licence each year.</p> <p>Cost: The cost of obtaining a Class 1 licence will remain the same as the status quo for those requiring one or two tests to pass, as the initial fee for the first two attempts remains the same as the current fee. Applicants who pass on the first attempt will be cross-subsidising those who do not but at a lower rate than the status quo. For those who do not pass within two attempts, the cost will increase due to the introduction of a fee for additional tests.</p> <p>Pass rate: Limiting the number of tests included in the initial fee is expected to incentivise test preparedness, reduce the average number of resits required and improve the pass rate. The impact of this shift in applicant behaviour is expected to reduce wait times.</p> <p>Overseas applicants</p> <p>Overseas applicants will be required to pay for each resit they require. For most tests, they will also have to pay a fee higher than existing fees. Although worse off, the fee increase is not significant. The new approach is expected to incentivise better preparedness.</p>
<p>New Zealand Transport Agency</p>	<p>Fee levels will not fully recover the costs of providing the testing service. However, the introduction of resit fees for third and subsequent tests will have positive impacts on NZTA service delivery and rates of cost recovery.</p> <p>NZTA will implement Cabinet's preferred change and monitor it. The cost will be approximately \$1 million to deliver these fee changes.</p> <p>s 9(2)(f)(iv)</p>
<p>Driver licensing providers</p>	<p>The reintroduction of resit fees is expected to improve pass rates and reduce no-shows and booking system congestion, thereby reducing pressure on licence and testing providers.</p> <p>Providers will need to update their pricing schedules and systems.</p>

<p>Other government agencies</p>	<p>The Ministry of Social Development (MSD) and Ministry of Business, Innovation and Employment (MBIE) both have programmes to support people to obtain their drivers licence.</p> <p>The average increase in cost of obtaining a licence may have some impact on MSD and MBIE funding and the number of drivers they can support. MSD has advised there will be no implementation costs or changes required to its systems because of moving to the new regulatory fee settings.</p>
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Consultation

- 25 Due to the need to quickly address long wait times currently experienced by Class One licence applicants and the public consultation conducted as part of the change to the current status quo approach², no consultation took place before Cabinet's decision.
- 26 NZTA undertook targeted engagement with testing providers (AA and VTNZ) to ensure the new fee settings could be in place by 8 July 2024. Those providers did not raise any concerns.

Implementation

- 27 Cabinet's preferred change package will be given effect through amendments to the *Land Transport (Regulatory Fees) Regulations 2023*.
- 28 Section 168 of the *Land Transport Act 1998* allows regulations to be made, prescribing fees and charges to recover the costs of providing NZTA's regulatory services. For the new regulatory fee settings to take effect, the *Land Transport (Regulatory Fees) Regulations 2023* will need to be amended.
- 29 There will be a three-month transition period for current applicants to complete their licensing requirements. This is intended to fairly recognise that some participants in the licensing system have engaged with driver licensing services while free resits are available. However, we do not anticipate that all those booking under the free resits regime will be able to fully progress through the transitional period.
- 30 . NZTA has confirmed that it can make the necessary system changes in time for the 8 July implementation date.
- 31 The providers of Class 1 driver licensing services (the AA and VTNZ) have been told of the upcoming changes and are also working towards 8 July implementation.
- 32 The new fees will be communicated via a public information campaign update to providers' forms and the NZTA website. The public announcement will be carefully managed to minimise the potential for an increase in demand prior to the transition to the new fee system.

² NZTA undertook public consultation on broader changes to land transport regulatory charges and fees from 21 March 2022 to 13 May 2022 - this included the proposal to move from an individual charge per driver licence to the current policy. 145 submissions were received on the package of regulatory changes. About 12 percent of submitters were supportive of the changes to the driver licence system, and 10 percent were concerned the proposed change could remove incentives for passing first time.

Monitoring and Evaluation

33 NZTA will monitor the impacts of the re-introduction of resit fees to determine the effectiveness against policy objectives including improving customer experience (reducing wait times), incentivising preparedness (reducing resits, no shows, and improving test pass rates), and the effect on cost recovery.

34 NZTA will:

34.1 monitor demand for bookings and pass rates throughout the transition period;

34.2 monitor the status of the Driver Licensing and Testing memorandum account³ following the move to the new regulatory fee settings on 8 July 2024. s 9(2)(f)(iv)

34.3 continue to assess the need for operational improvements to assist meeting policy objectives. This will be informed by monitoring of the performance of the driver licensing system.

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

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³ Memorandum accounts are notional accounts that record the accumulated balance of surpluses and deficits incurred for third-party-funded regulatory outputs. These are for services that are intended to be fully recovered from third parties through fees, levies or charges. The balance of each memorandum account is intended to trend to zero over time.

Appendix 1: Cost recovery principles and objectives

NZTA's cost recovery principles are presented below:⁴

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	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 beneficiaries of services pay	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.
Users should pay for the services, but incentives are important	When users use a regulated transport service (for example, licensing and registration, or access to dispute resolution or adjudication), the user 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 will help 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.

⁴ 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.

Appendix 2: Fee calculation approach

Fee calculation approach

NZTA has calculated resit fees for the third and subsequent tests to cover the cost of each additional test only. This aligns with Ministerial expectations that fees should be as stable as possible while achieving the intended policy objectives.

Limitations

This approach does not seek to recover the cost of the service across all tests.

NZTA has not directly modelled the behavioural impacts of the associated regulatory settings beyond those implied by volume forecasts.

Assumptions underpinning cost modelling

NZTA has modified the approach taken to model October 2023 settings for application to Cabinet's preferred change. Except as provided in Table A3.1 below, the approach taken for the current proposal is the same as previously taken.⁵

Table A3.1: Cost modelling assumptions for the proposed fee changes

Key areas	Assumption description
Implementation date	1 July 2024
Sustainability of fee	The proposed resit fees (for domestic Class 1 licences including reinstatements) are designed to recover the cost of providing additional resits only, beyond the first two tests. They do not address the cost under-recovery arising from providing a single fee covering two tests as the change in fees required exceed current policy parameters. § 9(2)(1)(iv)
Single fee covering two tests	The initial fee covering two tests will be set at current all-in-one fee levels to maintain price stability for applicants.
Transition arrangements	There will be a three-month transition period for current applicants to book tests without additional charge.

⁵ New Zealand Transport Agency (2023) "Stage 2 Cost Recovery Impact Statement: Changes to land transport regulatory charges and fees".

Key areas	Assumption description
Test attendance and pass rates	<p>NZTA assumes that operational interventions (e.g longer operating hours) currently being considered along with of the impact of the new policy approach will lead to an increase in pass rates from the current levels and a decrease in non-attendance as resit fees will incentivise preparedness and attendance, particularly for overseas conversions.</p> <p>NZTA has not modelled the impact of the operational interventions currently being considered along with the impact of the new policy approach on test attendance and pass rates. This is due to the impact being strongly affected by potential behavioural change. The changes made in October 2023 resulted in significant behavioural change. We expect test attendance and pass rates to improve with the effective price of tests increasing.</p>
Inflation	Assumed the consumer price index forecasts issued by the Treasury in HYEPU December 2023.
Salary costs and wage inflation	Assumed the labour cost index forecasts issued by the Treasury in HYEPU December 2023.
Postage cost	The cost is expected to increase by 25–30 percent annually, compounding each year, effective from 1 July 2024, as confirmed in a letter dated 6 March 2024 from New Zealand Post.
Implementation costs associated to change in policy	\$1 million of implementation costs will be cost recovered over the 2-year forecast period. This includes system changes to the driver licensing registry, educating applicants on changes, and other support to enable a successful implementation.
Regulatory and corporate overhead costs	7.5 percent of efficiency savings have been applied to the overhead costs in 2024/25 consistent with the Draft Government Policy Statement on Land Transport 2024–34, and then the inflation rate has been applied from 2025/26.
Improving service delivery	\$2 million per year has been included for a period of two years from 2024/25 and spread across all applications and tests. This funding will be utilised to advance work to move to a digital service and platform.

Estimated revenue and expenditure for the new regulatory fee settings

NZTA has forecast applicants, tests, and expenditure over a two-year period from 2024/25 to 2025/26 to calculate fees.

Table A3.3: Total forecast applicants, tests, and expenditure over forecast period (2024/25 to 2025/26)

Class 1 licence type and stage	Applications (#)	Tests (#)	Expenditure (\$)
New learner	148,732	298,951	18,704,398
New restricted	139,735	270,388	28,293,793
New full	132,670	289,884	22,555,308
Requalification reinstatement - learner	12,475	14,970	1,071,244
Requalification reinstatement - restricted	2,759	6,621	532,967

Class 1 licence type and stage	Applications (#)	Tests (#)	Expenditure (\$)
Requalification reinstatement - full	3,857	9,256	620,580
Overseas conversions - learner (non-Exempt)	42	126	8,020
Overseas conversions - restricted (non-Exempt)	1,072	6,433	492,950
Overseas conversions - full (non-Exempt)	58,806	352,837	22,291,226
Cumulative total over forecast period	500,148	1,249,466	94,570,486

The graph below compares the estimated annual average forecast revenues and expenditures.

Estimated annual average forecast revenue and expenditure for the forecast period





Cabinet Legislation Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Reintroducing Driver Licence Resit Fees and Enabling the NZTA App

Portfolio Transport

On 27 June 2024, the Cabinet Legislation Committee:

- 1 **noted** that in April 2024, the Cabinet Business Committee agreed:
 - 1.1 to replace the current driver licensing fee system for car licences, including overseas conversions and licence reinstatements, with a system that charges driver licence applicants with an initial licence fee covering two tests only for each Class One driver licence stage, and charges a new fee for each additional test thereafter;
 - 1.2 in principle to introduce fees for additional resits for Class One licences, based on cost modelling by New Zealand Transport Agency (NZTA), subject to further advice on fee amounts;
 - 1.3 to amend the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011 to enable the Registrar of Motor Vehicles to waive fees for accessing information from the Motor Vehicle Register on a class basis;
- [CBC-24-MIN-0016]
- 2 **noted** that the Land Transport (Regulatory Fees) Amendment Regulations 2024 and the Land Transport (Motor Vehicle Registration and Licensing) Amendment Regulations 2024 (the Amendment Regulations) will give effect to the decisions in paragraph 1 above;
- 3 **agreed** to the new additional testing fees as set out in Appendix One to the paper under LEG-24-SUB-0133;
- 4 **agreed** to the new test fees for Class One overseas licence conversions in Appendix One, which place all fees at pre-October 2023 levels before unlimited resits at no additional cost were introduced;
- 5 **agreed** to charge Class One overseas licence conversion applicants for each test required, removing all resits at no additional charge;
- 6 **agreed** to include a transition period of three months in the Land Transport (Regulatory Fees) Amendment Regulations 2024 where current applicants in the driver licensing system continue to have unlimited test resits without additional charge for three months;

7

s 9(2)(f)(iv)

8 **agreed** to a waiver of the 28-day rule for the Amendment Regulations:

9 **authorised** the submission to the Executive Council of the:

9.1 Land Transport (Regulatory Fees) Amendment Regulations 2024 [PCO 26432/8.0];

9.2 Land Transport (Motor Vehicle Registration and Licensing) Amendment Regulations 2024 [PCO 26433/8.0].

Tom Kelly
Committee Secretary

Present:

Rt Hon Winston Peters
Hon David Seymour
Hon Chris Bishop (Chair)
Hon Judith Collins KC
Hon Todd McClay
Hon Tama Potaka
Hon Simon Watts
Hon Brooke van Velden
Hon Nicole McKee
Hon Shane Jones
Hon Casey Costello
Hon Andrew Bayly
Hon Andrew Hoggard
Hon Scott Simpson, MP
Jamie Arbuckle, MP

Officials present from:

Office of the Leader of the House
Officials Committee for LEG

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Cabinet

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Report of the Cabinet Legislation Committee: Period Ended 28 June 2024

On 1 July 2024, Cabinet made the following decisions on the work of the Cabinet Legislation Committee for the period ended 28 June 2024:

Out of Scope



LEG-24-MIN-0133 **Reintroducing Driver Licence Resit Fees and Enabling the NZTA App** CONFIRMED
Portfolio: Transport

Out of Scope



Out of Scope



Rachel Hayward
Secretary of the Cabinet

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