

31 October 2012

Vehicle Licensing Reform Submissions  
Ministry of Transport  
PO Box 3175  
Wellington 6140

Email to: [vehiclelicensingreform@transport.govt.nz](mailto:vehiclelicensingreform@transport.govt.nz)

Dear Sir/Madam

**Re: Vehicle Licensing Reform Discussion Document**

**Background**

I am writing to you regarding the recently released discussion document entitled *Vehicle Licensing Reform* (referred to as 'the document').

As the document states, transport regulation affects New Zealand's economic growth, and given transport makes up 5% of the country's GDP, we encourage the Government to examine options and seek improvements to lower costs and increase growth.

Before we take the opportunity to comment on some of the proposals, we would first like to outline a few broad issues relating to the process that led up to the document, as well as to the document itself.

**BusinessNZ's membership**

Given BusinessNZ's membership covers a wide number of industries, various members of BusinessNZ's Affiliated Industry Group will be submitting on this document. Views will undoubtedly vary, and it is in this context that we outline our own thoughts on the matters at hand.

**Level of consultation**

We would like to commend the Ministry for the level of consultation undertaken before the document was released. BusinessNZ took the opportunity to attend the first Vehicle Licensing Reform Stakeholder Workshop meeting of interested parties in May to discuss the current shape of the annual licensing, Warrant of Fitness (WoF), Certificate of Fitness (CoF), and transport services licensing regimes. We know that subsequent meetings took place after the initial workshop meeting, and that these helped to guide the structure of the discussion document. This is the type of pre-consultation with the private sector that should be encouraged across all of Government, so that those most affected by proposed changes have the ability to

provide their views. Obviously, this does not mean that end proposals will accommodate everyone, but at the very least, various groups will have had the opportunity to provide their input into the change process.

### **Second round of consultation required**

To ensure that the high quality consultative process continues, we would strongly recommend that once submissions have been received and the next set of proposals finished, these are sent out to interested parties for further comment before final decisions are made.

### **Flexibility with end recommendations**

We agree with a point raised a number of times throughout the document that the options are not mutually exclusive, as one or more of these options (or elements of the options) could be combined together or phased in over time. We would presume that the end outcome will most likely take the form of elements of various options, once the views of the wider community are taken into account.

In addition, we would like to point out that no provision has been made for the status quo option in the areas examined. Although one would assume this is still part of in the decision making process, a fuller range of options would have included the status quo.

### **Warrant of Fitness Options**

Overall, BusinessNZ believes that the WoF plays a key part in ensuring safety standards are maintained for a vehicle. Given a WoF is something that all vehicle owners (either for private or business use) have to go through, it goes without saying that any proposed changes will be heavily discussed in the public arena. Therefore, it is imperative that steps are taken to properly analyse possible costs and benefits.

#### *Discussion document costs/benefits*

The document provides estimates of the benefits and costs of the WoF options to help inform debate. Given these are estimates, the monetary bands for both gains and risks are in some cases relatively wide, but understandably so, given the multitude of factors at play where an exact figure can often be difficult to determine accurately.

BusinessNZ supports such steps to quantify the proposals at a macroeconomic level to assist in gauging what options would work best for the New Zealand economy. However, we would also point out that overall net monetary gain should not be the only determining factor when ranking the options put forward. We agree with other commentators on these issues that road safety should not be disproportionately compromised to achieve a reduction in compliance costs.

In addition to a macroeconomic cost/benefit analysis of proposals, a wide number of interested parties directly affected will often undertake their own research to ascertain the public's perception and appetite for change, which has been the case for at least two industry groups in recent months. Such research can provide useful insights, but we also urge caution in simply allowing surveys of this kind to be taken

as the primary way to decide on the best options. Their weakness is that often they are unable to provide respondents with a fully informed picture of the trade-offs invariably made in policy analysis.

*Motor Trade Association Research*

We note the extensive research the Motor Trade Association (MTA) has undertaken to analyse the license reform issue. In 2012, 98% of 1000 motorists surveyed believed a WoF was an important part of road safety, up from 96% in 1998 when a similar survey was undertaken. BusinessNZ agrees. No matter what the outcome, a WoF should be considered a key component of safety checks for cars in New Zealand.

The same study found that 56% agreed at some level that they would not feel safe on the road if WoFs were less frequent. Interestingly, this was down from 73% in 1998. While the 2012 result still shows a majority wanting less frequent WoFs, the fall from 1998 does tend to indicate a slow shift in the general public’s attitude to WoFs.

Although comparisons with 1998 are not available, views on how frequently vehicles should complete a WoF showed that the majority considered every 10-12 months for cars up to 6 years old (as shown in table 1). For cars in the categories 6-10, 10-15 and 15+ years old, the majority considered 5-6 months to be worthwhile. However, the 6-10 year age of vehicles proved to be the most divided of the vehicle age groups provided, with 67% wanting a WoF every 6 months.

**Table 1: MTA survey of vehicle age and WoF frequency**

<b>Vehicle age</b>	<b>WoF Frequency</b>	<b>% Freely Stating</b>
Up to 3 yrs	12-monthly	83%
Over 3 – 6 yrs	12-monthly	95%
Over 6 – 10 yrs	6-monthly	67%
Over 10 – 15yrs	6-monthly	81%
Over 15 yrs	6-monthly	83%

While this survey provides one view on potential changes, another survey shows some differing views.

*Automobile Association Research*

Similarly, the Automobile Association of New Zealand (AA) ran a survey in 2012 with their members relating directly to the proposed vehicle licensing reforms. Of the 1,395 responses, 71% supported annual WOFs, while 22% opposed them. However, when asked how often vehicles over 12 years old should be tested, only 33% supported an annual inspection, with the majority preferring a six monthly inspection.

Overall, what these surveys indicate to us is that for newer cars, 12-monthly inspections are generally accepted as the norm, given the current rules state that cars less than six years of age only need to review their WoF every 12 months. For much older cars, the general consensus is that 12 monthly inspections are not

enough, and 6-monthly inspections are preferred. The area in which there appears to be strongest contention lies in the 6-12 age gap for vehicles, where views are either relatively split, or in some cases favour less frequent inspections.

*Discussion document options*

The document outlines four options for WoF reform. Table 2 below summarises our order of preference for those options.

**Table 2: BusinessNZ ranking of WoF options**

Option	Detail	Est net gain	BusinessNZ preferred option
Option 1	Yearly inspections for vehicles up to 12 years-old, six-monthly thereafter, with measures to encourage safe vehicles.	\$42m - \$62m	1 <sup>st</sup>
Option 2	First inspection at three years, annual thereafter, improved test, with measures to encourage safe vehicles.	\$115m - \$160m	2 <sup>nd</sup>
Status Quo	Inspections annual for vehicles up to six years and six-monthly thereafter.	-	3 <sup>rd</sup>
Option 3	Inspection based on distance travelled, with measures to encourage safe vehicles.	\$120m - \$175m	4 <sup>th</sup>
Option 4	Inspections on change of ownership with measures to encourage safe vehicle.	\$150m - \$185m	5 <sup>th</sup>

If we start with the least favoured option (option 4), BusinessNZ would have serious concerns if inspections were mandatory only when there is a change of vehicle ownership. While the estimated net gain for the economy would be the highest of all the options examined, as the document states, this would mean *“a significant change in the way that motorists think about the safety of their vehicles”*. We would be concerned about the number of unintended consequences that would occur, and this option would go against any findings by private sector surveys that still see a regular WoF as crucial to safety.

Regarding option 3 (basing its inspections on distance travelled) we would have similar concerns about the use of distance travelled as the key indicator for inspection. From BusinessNZ’s perspective, there does not seem to be a worthwhile correlation between distance travelled and faults that appear in a vehicle.

As mentioned above, we believe the status quo option should also be taken into account. For the ranking of WoF options, we would place the existing arrangement above options 3 and 4.

Options 1 and 2 appear to be the more sensible and pragmatic in terms of balancing potential gains with potential risks. Although we have identified option 1 as the most

preferred, in reality there is little that separates the two when examining options going forward. Therefore, we believe there is scope to take these two options forward, with perhaps some combination of the two after taking into account submissions received.

Notwithstanding the view stated above, we believe it is imperative that proposals continue to also focus on road safety aspects. All four options include complementary measures such as information and advice programmes, the introduction of demerit points for unsafe vehicles and increased/better targeted compliance and enforcement options, which we support.

**Recommendation: That options 1 and 2 for WoF changes are given further consideration.**

**Certificate of Fitness Options**

Regarding the Certificate of Fitness (CoF) options put forward in the document, table 3 outlines BusinessNZ’s preferred options. Unlike the WoF options, the CoF options do not have any monetary savings/costs by which to help establish preferences. However, the explanation of the options provides some key considerations, including greater flexibility in the provision of certifications, a move away from the one-size-fits-all approach and allowing better targeting to risk.

**Table 3: BusinessNZ ranking of CoF options**

Option	Detail	BusinessNZ preferred option
Option 1	Variable frequency with six-monthly inspections as default and flexibility in inspection services.	1 <sup>st</sup>
Option 2	Variable frequency with 12-monthly inspections as default and greater choice over inspection services.	2 <sup>nd</sup>
Status Quo	Vehicles are usually inspected every six months to make sure their condition and equipment meet safety standards.	3 <sup>rd</sup>
Option 3	Alternative accreditation.	4 <sup>th</sup>

Again, starting with the least favoured option (option 3), weighing up the potential gains and risks as outlined in the document suggests to us that this is not a favourable option. We would also put this option behind the existing arrangement.

Like the WoF options, we do not have a strong view on what would constitute an ideal option. Options 1 and 2 both provide aspects of flexibility and choice which we would support.

**Recommendation: That options 1 and 2 for CoF changes are given further consideration.**

## **Annual Vehicle Licensing & Transport Services Licensing**

The document also discusses options relating to annual vehicle licensing and transport services licensing. BusinessNZ considers that vehicle licensing provides a strong opportunity for reform to achieve goals of, fee collection, minimal enforcement and fairness for motorists.

The annual vehicle licensing fee currently is a very blunt instrument to collect Accident Compensation Corporation (ACC) and National Land Transport Fund (NLTF) fees. Vehicle owners are required to pay the same fees, regardless of the distance travelled or the motorist's safety record, which does not reflect risk. However, BusinessNZ notes that it is not clear that fuel consumption would necessarily be a better option. BusinessNZ would urge ACC to fully investigate options for accessing motor vehicle accident risk that we have consistently advocated in our previous submissions on the ACC annual levy documents.

BusinessNZ generally supports measures, as outlined on page 24 of the document that involve ideas that would make it easier for people to comply, would improve the current enforcement systems, and result in other business improvements simplifying the system as much as possible.

***Recommendation: That further ideas/options are investigated by the Ministry of Transport to improve the annual vehicle licensing and transports services licensing.***

***Recommendation: That further work is undertaken by ACC to better access the risk factors that should determine ACC motor vehicle levies.***

Thank you for the opportunity to comment.

Kind regards,

A handwritten signature in black ink, appearing to read 'Phil O'Reilly', with a stylized flourish extending to the right.

Phil O'Reilly  
**Chief Executive**  
BusinessNZ