



# Vehicle Licensing Reform

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- > Annual vehicle licensing
- > Warrant of fitness/certificate of fitness
- > Transport services licensing

## Summary and analysis of submissions

Public consultation over 19 September – 31 October 2012

## Overview

The Vehicle Licensing Reform (VLR) discussion document was released for public consultation on 19 September 2012 with proposed options to reform the warrant of fitness (WoF) and certificate of fitness (CoF), annual vehicle licensing (AVL) and transport services licensing (TSL) regimes. Public consultation on potential options outlined in the discussion document took place over six weeks closing on 31 October 2012.

4,593 submissions were received on VLR. 4,489 submissions were from individuals and 104 submissions from organisations. Many individual submitters identified themselves as part of the transport sector. These submitters included past and present automotive technicians and/or those with experience performing vehicle inspections, police officers or those with enforcement experience, owners and operators of heavy and commercial vehicle fleets and other business owners with a keen interest in reform proposals. As well as this, all age groups of the driving public were represented.

Submissions from organisations included the Motor Trade Association (MTA), Bike Riders Organisation NZ (BRONZ), Bus and Coach Association (BCA), Business NZ, Federated Farmers of NZ, Grey Power Federation, NZ Federation of Motoring Clubs (FOMC), NZ Taxi Federation, Institution of Professional Engineers NZ (IPENZ), Insurance Council of NZ, Motor Industry Association (MIA), NZ Automobile Association (AA), NZ Federation of Motoring Clubs (FOMC), NZ Local Authority Traffic Institute (TRAFINZ), NZ Motor Caravan Association Inc., NZ Post Group (NZPG), Rental Vehicle Association (RVA), Road Transport Forum NZ (RTF), Rural Contractor NZ Inc., Transport Engineering Research NZ (TERNZ), Truck Rentals (TR) Group Ltd., Vehicle Inspection NZ (VINZ) and Vehicle Testing NZ (VTNZ).

Most of the submissions (4524) were focused on the WoF options proposed in the discussion document. Submitters in favour of change were very evenly split with those against it. 2,262 submitters (50 percent) were in favour of some sort of reform (the proposed options in the discussion document or an alternative option) and 2,266 (50 percent) in favour of keeping the current regime.

The MTA's 'Hands on the WoF' campaign had a significant impact on the total number of submissions received. After the MTA campaign began the daily number of submissions received increased by approximately 500 percent. The MTA drafted a standard template submission in favour of keeping the current regimes for WoF and/or CoF. 1,376 of these template submissions were received through the public consultation process.

The electronic submission form on the Ministry of Transport website was the most common way by which people submitted on VLR. There were 2,532 electronic submissions in total. Of these submissions, 1,951 (78 percent) were in favour of WoF reform and 538 (22 percent) were in favour of keeping the status quo. Other than the MTA template submissions there were 685 submissions received through mail or email. Of these submissions, 307 (46 percent) were in favour of WoF reform and 354 (54%) were in favour of keeping the status quo.

A significant theme that emerged from those in favour of change was that the proposed changes would better reflect the right balance between cost savings and safety. A large proportion of these submitters felt that reform would bring New Zealand in line with other international jurisdictions. On the other hand, submitters in favour of keeping the status quo felt that the average motorist lacks the knowledge and equipment to properly maintain a vehicle leading to WoF inspections being the only vehicle checks. These submitters also had concerns about the average age of the vehicle fleet and the unsafe nature of New Zealand roads and felt that these risks would be more prevalent if WoF frequency decreased.

The other areas of VLR received significantly less submissions. There were 1,900 submissions on CoF reform with 691 submissions (36 percent) favouring reform and 1,209 (64 percent) favouring the current regime. There were 448 submissions on TSL reform with 388 submitters (87 percent) favouring reform and 60 (13 percent) favouring the current system. There were also 1,543 submissions on AVL reform. A significant theme that emerged across all submissions was the vast technical insight that submitters had regarding vehicles and vehicle inspections. Submitters supplied a considerable amount of information about which parts of a vehicle deteriorated more over distance travelled or time.

A number of submissions contained views on improving safety on New Zealand's roads but this is outside the VLR project scope. These submitters felt that instead of reforming vehicle licensing, greater focus is required on drink driving, reckless driving, youth driving and drivers who continue to disregard cell phone and seatbelt laws. Some submitters suggested road rules should be changed to reflect other international jurisdictions. Other submitters suggested changes to the way vehicles are classified and changes to the Road User Charges (RUC) system. Various submitters also had views on how congestion could be reduced in New Zealand.

## **Background**

VLR is a joint project between the Ministry of Transport and the NZ Transport Agency investigating the WoF, CoF, AVL, and TSL systems. These licensing systems are characterised by administrative and compliance costs that cumulatively have substantial economic impact. The project has identified that:

- the rationale for these regulatory systems is not always clear and, as a consequence, the extent of the current intervention may not be justified
- the level of safety risk may not always justify the level of intervention
- there may be more efficient ways to collect revenue or achieve regulatory objectives due to changes in technologies, practices and policies
- the warrant of fitness and annual vehicle licensing systems may result in unnecessary enforcement and justice system costs from their associated compliance and payment systems.

The purpose of the discussion document was to inform motorists and the public of the possible reform options and provide an opportunity for the public to share their views about

the options. The discussion document contained four chapters, one on each area of possible reform. Each chapter had a more detailed description of the system it relates to, the reasons for reform, possible reform options, options excluded and questions to be considered.

The full and summary documents were available electronically on the VLR page of the Ministry of Transport's website, with the hardcopy versions available on request. Submitters were able to make an online submission or provide a written submission.

## **Warrant of Fitness (WoF) Options for Change**

### **Option one: yearly inspections for vehicles up to 12 years-old, six monthly thereafter, with measures to encourage safe vehicles**

#### *Summary*

Option one was supported by 495 submitters. Eight of the submissions in favour of option one were from organisations including Business NZ and the Automobile Association (AA).

Business NZ said that whichever reform option is recommended, it is imperative that road safety remain a key priority. Business NZ felt that options one and two are sensible in balancing potential gains and potential risks. They preferred option one but felt that little separated the two options and a combination was feasible. AA also submitted in favour of option one. AA asserted that a WoF should be required for vehicles once they are one year old. Both of these organisations supported increased information and advice, as well as increased or better targeted enforcement and compliance measures. They also supported the introduction of demerit points for operating an unsafe vehicle. AA supported demerit points provided they are waived if a WoF is subsequently obtained.

Submissions in support of option one generally stated that testing of vehicles less than 12 years old is too frequent, but frequent testing is required for older cars to ensure vehicle safety. Some submitters supposed that option one would incentivise people to buy newer vehicles.

A common reason for supporting option one was the view that it was the best balance between cost savings and safety. Submitters felt that option one would represent a meaningful reduction of compliance costs for households and businesses. Option one was supported with the understanding that motorists may not maintain their vehicles particularly well, and some use WoFs as their only check-up. Some submitters noted that they supported this option as it removed the inspection burden from themselves, as they felt they had insufficient knowledge.

A question raised by many people was why 12 years old was proposed as the vehicle age at which inspection frequency changed to 6-monthly. A number of submitters felt that 12 years was too long, and that 6-monthly inspections should instead begin after 8 to 10 years. Some submitters felt that this would be safer, while some thought that 10 years kept things simpler and would make it easier for vehicle owners to remember when inspection frequency increased. Some submitters suggested that either 12 years or a specified distance travelled, whichever came first, should be the trigger for increasing inspection frequency (ie changing from annual inspections, for example, to 6-monthly).

A popular theme amongst those favouring option one was the strong level of support for the status quo. Option one was chosen as it was most similar to the current system, but a level of apprehension about change persisted in some of the comments from these submitters.

## *Transport officials response*

### Balancing savings to vehicle owners and road safety

Compared to the other reform ideas in the public discussion document, this proposal would be a minor change to the current system and would benefit a smaller proportion of vehicle owners as only vehicles between the ages of 6 and 12 years would be subject to a change in inspection frequency (annual inspections rather than 6-monthly inspections). The average vehicle age in New Zealand is around 13 years old.

Analysis indicates there would be very little risk from this change, and the proposal recommends measures, including education, to mitigate any potential increase in crash risk. However, the savings would also benefit relatively few people and most people would continue to pay more to maintain the current level of road safety than may be necessary.

### Older vehicles should continue to be inspected more frequently

The risk of a crash caused by a vehicle fault does increase with vehicle age but it is very low for all vehicles. Analysis also indicates that this risk has been decreasing over time. Improvements in vehicle technology and manufacturing quality are likely to be contributing to this decrease.

Data from New Zealand crashes show that the risk of a defect-related crash begins to increase more steeply at about 12 years of age. This suggests that if more frequent inspections were proposed for older vehicles, the earliest that frequency should increase is 12 years old.

One way of addressing the increased risk would be to retain 6-monthly inspections for vehicles more than 12 years old, which is the approach under option 1.

However, it is not clear that the sort of faults that can be remedied by inspection are any more likely to become dangerous in less than a year for older vehicles than for newer vehicles. It is also possible that other measures, such as education and additional enforcement, could also be used to address this risk and achieve roadworthiness more cost-effectively.

### **Option two: first inspection at three years, annual thereafter, improved test, with measures to encourage safe vehicles**

#### *Summary*

Option two was supported by 660 submitters. Most of these submissions were from individuals. Nine organisations submitted in favour of option two, including Federated Farmers of NZ and the Motor Industry Association (MIA). Of all the submitters that were in favour of changing the WoF system, more favoured option two than any other option, including any other options that were suggested by submitters.

Federated Farmers felt that vehicle owners have a casual attitude toward maintenance and that a culture change is required. Federated Farmers agreed with the statement in the discussion document that “less frequent vehicle inspections may increase the risk of a crash

if no other action is taken or people don't change their vehicle servicing habits." Both Federated Farmers and the MIA suggested a campaign is needed to educate motorists about how to ensure their vehicle is safe. Information provided could include recommending regular servicing, advice about how to change a tyre and to check the water and oil in a vehicle. Their view was that an education campaign must encourage vigilance by motorists, rather than a reliance on professional servicing. The MIA also endorsed option two as their preferred option, but noted that this is not the unanimous position of their members, with several preferring annual inspections for new vehicles up to 6 years of age.

Submitters favouring option two felt that there are currently not enough extra safety benefits arising from the current frequency of inspections. They felt of all the options, option two represented the best compromise of cost savings to the consumer, without jeopardising safety outcomes. Submitters supporting option two often noted that more onus needs to be placed on motorists to maintain their vehicles to a WoF standard. In particular, submitters felt that motorists should not need a WoF to tell them that the tyres and brake pads need to be replaced. This sentiment was common among submitters in favour of reform.

A common theme expressed was that option two is consistent with the United Kingdom vehicle inspection regime. Many submitters thought that New Zealand needed to align with more international standards. Submitters were also especially supportive of the first inspection being at three years. It was consistently noted that many new vehicles have warranties that often last for three years and therefore a WoF is unnecessary during this time. Submitters did have concerns about the maintenance of tyres and brakes during this three year period as some new vehicles travel high annual distances.

There was some disagreement among submitters about the value of a more stringent inspection test. Some submitters felt that a more stringent test was appropriate considering the proposed reduction in inspection frequency. However, others were unsure of what a new test might involve, or believed that the current test is fine. Several submitters questioned the likely additional cost of a more stringent WoF test, while others felt that some of the consumer savings from reducing the frequency could help cover any costs of a more stringent test.

Submitters often felt that the current test was up to standard, but that if option two was adopted a more stringent requirement would be needed for tyres and brakes as it was presumed they would have to last 12 months. Some submitters felt that the current test was adequate for newer vehicles but older vehicles should face a more stringent test. There were also submitters who felt the current test was excessive as vehicle features not directly related to safety were inspected. Another issue was how a more stringent test may affect classic or vintage vehicles, which may be well maintained by their owners, but cannot be expected to achieve the safety standards of much newer vehicles.

## *Transport officials response*

### Providing information about maintaining vehicle roadworthiness

Simple information is not currently offered to people about the importance of vehicle safety maintenance and many may be unaware of how easy and important it is to monitor their vehicle's condition. Accessible information about how to check for issues such as worn or damaged tyres, or broken lights – and the importance of doing this regularly – could be beneficial.

Servicing information, such as how to check oil and water, would also be useful to vehicle owners.

### Alignment of New Zealand's regime with those used overseas

Internationally, there are many different systems used to help maintain vehicle roadworthiness.

The systems used in other countries may or may not be suitable for New Zealand, but we are able to assess them on their merits and decide what regulatory tools could be deployed in New Zealand.

### Inspection frequency for new cars

On average, new cars do travel further in a given time period, so it is still important to monitor condition, especially of tyres.

However, new cars are generally sold with a three year warranty, which requires regular servicing. Many countries defer the first vehicle inspection for several years without any apparent problems.

### Stringency of the WoF inspection and vehicle standards

Both the vehicle standards and the WoF inspection methodology are constantly under review by the NZ Transport Agency and the Ministry of Transport.

The current review of the WoF system has considered whether any change to the test would be appropriate as a result of other changes that might be proposed. For example, the inspection would arguably be improved by the consistent use of expensive equipment such as roller brake machines; however, a more rigorous test will only be recommended if it would result in a demonstrable improvement in safety and would be justified by any associated safety risk.

Some submitters suggested that older vehicles should have more stringent inspections. The risk of a crash caused by a vehicle fault does increase with vehicle age but it is still very low for older vehicles.

Analysis shows that shifting to annual inspections for all vehicles, including older vehicles, could, on its own, increase the risk of crash slightly but that this risk could be mitigated by

using other proven road safety measures, such as education and advice, and additional enforcement activities.

Maintaining 6-monthly inspections for vehicles over 12 years-old would address this risk but analysis shows it would not be cost effective.

Crash data does show there is an increase in risk for cars over 12 years-old. They also tend to fail inspections more often. However, the data also shows that the risk increase from moving to annual inspections for these vehicles is small and, overall, is declining over time as vehicle quality improves.

There is also no connection between vehicle standards and the time period between WoF inspections. Vehicle standards apply at all times, not just at a WoF inspection. Furthermore, the WoF inspection is only a check that a vehicle meets the required standards at the time of the inspection – it is not a guarantee that the vehicle will continue to meet these standards until the next inspection. So, for example, if a tyre passes a WoF, but is at the minimum 1.5mm tread depth, it would need to be replaced shortly after before it wears below the safe minimum.

Another issue raised was whether the current inspection test checks items that are not related to safety. With just a few exceptions – for example, exhaust noise – all the items checked at a WoF inspection are related to safety in some way. It is sometimes claimed that items such as windscreen washers or fog lamps are not relevant to safety, but it is worth considering what the functions of these items are. For example, dirty windscreens are identified as contributing to crashes, therefore checking the windows wipers is worthwhile.

#### Impact of less frequent WoF inspections or a different inspection test on price

The price of inspections is not regulated and is set by the inspecting organisation, so prices can vary. However, the time taken to complete an inspection is not likely to change much. The economic modelling undertaken as part of this review suggests that there would be no significant change in the price of inspections. A large part of the cost savings predicted from decreasing the frequency of WoF inspections comes from the time and inconvenience that would be saved, as well as fees.

If the inspection were changed so that it took longer or required expensive equipment, this could be reflected in the price.

#### Classic or vintage vehicles should not be expected to meet modern vehicle standards.

The purpose of regulating vehicle standards is to establish a minimum level of safety. If vehicles are used on the road, it is reasonable to expect that these standards are met.

However, the standards and inspection methodology sometimes specify absolute standards, which are applicable to all vehicles, and sometimes specify a required condition relative to the performance of the vehicle when it was manufactured. Other standards only apply to vehicles manufactured after a particular feature was required to be fitted.

### **Option three: inspection based on distance travelled, with measures to encourage safe vehicles**

#### *Summary*

Option three was favoured by 412 submitters. Submissions in favour of option three all came from individuals.

A common reason for support of this option was that the idea that it comes closest to a 'user pays' system. Submitters suggested there is very little wear and tear on a vehicle that is not used a lot and the WoF system should reflect this. They noted that safety will not be a factor for vehicles under option three regardless of age. Another common suggestion was that this option works much better for owners of multiple vehicles and that a family's second or third vehicle should not be subject to the same WoF requirements. Submitters felt that an inspection frequency based on kilometres travelled would be fairly easy to implement, and could be done in a similar manner to the way diesel mileage is displayed on vehicles. Some submitters claimed this would be better than the 'obscuring' location of the current WoF sticker. Some submitters suggested that option three would encourage people to use public transport to increase the time between WoF inspections – with consequential environmental benefits of reduced vehicle emissions and congestion.

Submitters favouring option three often claimed a background in the transport sector, or had a lot of technical knowledge. Submitters with engineering experience felt that this option was sensible as in most engineering fields, maintenance and safety inspections are based on distance travelled or amount of use. A popular example was aircraft engines, which are certified as safe to fly on an hours-run basis. It was commonly noted that brakes, lights, tyres and suspension parts are the items that most commonly fail a WoF inspection, and are affected by distance travelled rather than age. In contrast, some submitters suggested an annual tyre or brake check is needed regardless of how many kilometres a vehicle has travelled. Some submitters also suggested that after-market parts were of inferior quality, and that repairs made with these, or with second-hand parts, would deteriorate faster.

Other submitters with technical knowledge noted that vehicle parts may deteriorate even if a vehicle is not being used. Parts such as brake cylinders may seize or develop leaks through lack of use, and rust can spread over time, especially for vehicles near the seaside. However, it was also claimed that vehicles are sometimes failed due to visible rust, even when there is no structural damage to the vehicle. Another suggestion was that option three be modified so that those vehicle parts that deteriorate through use could be inspected on a distance-based frequency, and vehicle parts that deteriorate over time be inspected on a time-based frequency. Many submitters suggested a distance that they considered the vehicle inspection frequency should be based on – often based on personal experience and usually between 10,000 and 30,000km travelled.

A common view expressed by those favouring option three was that it suited certain situations better than the current system. Many submitters who own classic cars or motorcycles felt that their vehicles were rarely used and proudly maintained, and that the current WoF system did not recognise this. Many submitters who were older drivers felt that

this option would be fairer to them as they do not travel a lot. Some submitters felt that a distance-based inspection system should only be introduced for classic vehicles, and favoured one of the other options for all other vehicles.

Submitters noted that option three would present difficulties for enforcement. A common theme was a concern around odometer tampering. Submitters felt that the people willing to drive around in an unsafe car would also be likely to tamper with odometers to evade inspection. This odometer tampering would be difficult to police. Submitters who felt that option three was unworkable also noted that the issue is not the amount of distance travelled, but how this driving is occurring, and that the reckless nature of some drivers makes a time-based inspection frequency more appropriate.

### *Transport officials response*

#### Correlation between vehicle faults, distance travelled, and time

Submitters commented on a number of issues relating to this, including expressing views that inspection frequency would be better based on distance travelled, and that such a system would be fairer for owners of vintage or classic vehicles, and people with more than one vehicle.

Compared to fixed time periods, distance intervals are not necessarily better matched to the incidence of defects, are more difficult to comply with, and would be difficult to enforce.

Many faults are caused by wear and tear, for which the distance travelled is a factor, but not the only factor. For example, high mileage vehicles mostly travel at a constant speed on highways, which is fairly easy on vehicle components compared to a lot of stop-start use. Vehicles used infrequently have their own problems. As submitters noted, components such as brake cylinders can seize, hydraulic tubing can rust from the inside and rubber parts such as hoses, seals and bushes can perish. These problems can occur regardless of distance travelled and are likely to be worse for older components. Structural rust is better correlated with age than mileage.

Most vehicles travel similar distances in a given time frame, so it makes little difference whether they are inspected based on distance or time. On the other hand, neither system will seem ideal for vehicles with unusual patterns of use.

An inspection period based on distance travelled is more difficult to comply with. Currently, a motorist can look at a WoF sticker and know when an inspection is due. If the sticker showed a distance, the owner would have to regularly check the odometer reading. Reminder notices, which are sent out by many inspecting organisations, and which could be introduced by the NZ Transport Agency, would no longer be possible. As a result, accidental non-compliance could increase, along with deliberate non-compliance.

A distance travelled inspection period is also more difficult to enforce. There is no external indication of the distance travelled, so the WoF could not practically be enforced by Police or parking wardens. Automated enforcement, which could be introduced for a time-based system, would also not be practicable, as the vehicle register cannot predict distance travelled.

The review has considered whether vintage and classic vehicles should be treated differently, regardless of what recommendations are made for the rest of the fleet. The United Kingdom, for example, has recently exempted vehicles manufactured before 1960 from its periodic inspection regime while the EU is considering exempting vehicles more than 30 years old.

The issue is not straightforward. As noted, many faults are correlated with time rather than distance travelled, and these are likely to be more of an issue with older components. Furthermore, although vintage and classic vehicles are often cared for by knowledgeable owners, proper maintenance can also be deterred by parts that are expensive or difficult to obtain, and DIY repairs may not be to professional standards.

Manufacturers usually specify service periods as a time period or a particular distance travelled, whichever expires first. WoF inspection periods could be determined in the same way.

In principle this seems a good way to target inspections to the likelihood of faults developing. In practice, this would have most of the disadvantages of an inspection period based on distance travelled but would add complexity. Complexity in the inspection system is undesirable because it increases administration costs and discourages compliance. Because most vehicles travel a similar distance in a similar time period, there would be little benefit from this added complexity.

#### **Option four: inspections on change of ownership with measures to encourage safe vehicles**

##### *Summary*

Option four was supported by 262 submitters. All of the submissions received in favour of option four were from individuals.

Submitters supporting option four generally said that the current system is outdated and survives for the purpose of gathering revenue. They felt that a major change was needed to keep New Zealand in line with the rest of the world. A common theme was that several states in Australia use this system, and that Australia has better road safety outcomes than New Zealand. Submitters often noted that factors other than vehicle defects were the most common causes of crashes.

As with the other options, a theme commonly expressed was that more responsibility should be placed on owners to ensure their vehicles are well maintained. Some submitters were in favour of option four, but noted in their comments that they are unsure about whether it is a viable option due to the current attitude that vehicle owners have towards their vehicles. Those submitters with reservations about option four felt that only newer vehicles, which are usually less likely to fail a WoF, will continue to get regular checks whereas older vehicles, which are most in need of regular WoF inspections, will be more likely to go without until forced to do so.

Submitters often suggested possible enforcement measures to mitigate the safety costs that would arise due to the more relaxed nature of option four. A common example provided was the power of police in Australia to remove the licence plates of any vehicle that they deem to be unsafe. Other submitters suggested increased Police checks of tyres and lights, possibly during random breath testing or during roadside inspections. Some submitters felt that unsafe vehicles could be easily identified by Police and ordered off the road.

In addition to checks at change of ownership, various submitters supporting this option thought that inspections would be necessary at other times. Some submitters felt that there should be a WoF required after any major repairs, such as when a vehicle has been crashed. This WoF requirement could be enforced by Police at the scene of the crash. Some submitters also felt that a WoF should be required after any modifications have taken place on a vehicle.

### *Transport officials response*

#### The value of expert vehicle inspections

Vehicles are complicated and can be potentially dangerous. Regular inspection by qualified experts reduces the likelihood that faults that could reduce safety will go undetected. The issue considered by the current review is how frequent these inspections need to be, and whether other measures could help achieve this result.

As to the cost of inspections; the price of a WoF inspection covers the time and labour required. The government receives only 81 cents from each inspection, to cover administration and the printing of the WoF labels.

#### Alignment of New Zealand's regime with those used overseas

Internationally, there are many different systems used to help maintain vehicle roadworthiness.

The systems used in other countries may or may not be suitable for New Zealand, but we are able to assess them on their merits to assist officials in evaluating what regulatory tools could be deployed in New Zealand.

Several states in Australia do have a system similar to option four, and they do have better overall road safety outcomes than New Zealand. However, as vehicle faults cause only a small proportion of crashes in either country, the difference in overall safety outcomes is not solely due to the difference in how they manage vehicle roadworthiness.

Because of the difficulty of comparing different jurisdictions, and the relatively small number of crashes involved, it is difficult to establish whether the Australian states with this system have a higher rate of crashes caused by vehicle faults than New Zealand. Modelling undertaken using New Zealand crash data suggests that requiring inspections only on change of ownership would increase the number of crashes unless effective mitigating measures were in place.

### Vehicle faults only cause a small proportion of crashes and the focus should be on more significant crash causal factors

Overall, vehicle faults cause a small proportion of crashes. However, crashes caused by vehicle faults can still result in death, serious injury, and damage to property. There is no reason to neglect this factor when there are effective and efficient measures that can address it.

### WoF inspections give people a false sense of security and as a result they don't take responsibility for the condition of their vehicles

People who comply with current requirements to have their vehicles regularly inspected by an expert mechanic are taking responsibility for them. Some people may be motivated by an upcoming inspection to check their own vehicle. However, it may be that many people do not realise the importance of ongoing monitoring of a vehicle's condition.

It is desirable that people do take ongoing responsibility for the roadworthiness of their vehicles, and the best chance of achieving this is by providing relevant information to them. All the proposals suggested in the discussion document include measures to help promote awareness about vehicle safety maintenance.

### Police should be able to order vehicle inspections or order unsafe vehicles off the road.

Police are already able to issue infringement notices for failing to display a WoF, or for vehicle faults, and have the power to require that a vehicle is inspected, including the power to order a vehicle not to be driven until it passes an inspection. These orders are issued by applying green or pink stickers to a vehicle, which can only be removed if the fault is shown to be repaired or if the vehicle passes a WoF inspection.

### Other times when vehicles should be required to have a WoF inspection

Some submitters said that vehicles should be required to have a WoF after any crash damage is repaired, and others thought that vehicles should also be required to have a WoF inspection after any modification.

With regard to crash damaged vehicles, transport officials are aware of this issue; however, it is outside the scope of the current review

Land Transport Rule: Vehicle Repairs 1998 requires that a repaired vehicle, its structure, systems, components and equipment must be restored to "safe tolerance" of their state when manufactured. Repairs are only required to be certified prior to registration or re-registration of the vehicle. Professional repairers are competent to meet the requirements of the Rule and there is no evidence that there is currently a significant risk to safety, but it is arguable that there would be a benefit from requiring certification of all repairs where serious damage has been identified.

With regard to modifications, it is noted that many popular modifications have no effect on vehicle safety. Modifications that might affect safety must be certified by a qualified engineer.

A certification plate is attached to the vehicle to indicate to WoF inspectors what modifications have been certified.

### **Other issues raised in submissions on the WoF, which have not already been identified in the discussion document**

#### *Summary*

The most popular alternative to the options proposed in the discussion document was maintaining the status quo. The status quo was favoured in 2,266 of the 4,524 submissions received. 55 of the submissions from organisations were in favour of the status quo, including Vehicle Inspections NZ (VINZ), Vehicle Testing NZ (VTNZ) and the Motor Trade Association (MTA).

VINZ, VTNZ and MTA cited risks to safety, and New Zealand motorist's culture of reliance on the current system, as reasons to resist change. These organisations also expressed concerns about whether the cost and effectiveness of an education campaign has been adequately evaluated. VINZ felt such a campaign would have limited success in creating a culture change, while VTNZ felt that an education campaign would provide significant results, but that these benefits should be pursued in their own right, rather than to mitigate the risks of the other proposed changes. The MTA said that before the government makes any change to frequency it must be confident that there will not be additional deaths or serious injuries as a result of these changes.

VINZ was in favour of shifting to fully independent inspections (ie inspectors who do not offer repairs) in main urban zones and believe that increased custom at independent inspection sites would likely result in inspection price decreases. VTNZ supports less frequent inspections for vehicles less than two or three years old and six-monthly inspections from eight years provided there are effective measures to mitigate any increased social costs from crashes. VTNZ also advocates an improved test to bring New Zealand up to an international standard, and cites the 2007 AUTOFORE study in support. VINZ feels that a longer time period between inspections will drive up the costs for repair from driving with an existing fault for longer, which will increase non-compliance. VTNZ also believes that non-compliance is a key area that needs to be addressed.

VINZ, VTNZ and MTA all took issue with aspects of the cost-benefit analysis report. VINZ believed that 'over-serving' by inspectors arises as repairers benefit commercially from conducting repairs and that independent testing organisations do not have this conflict of interest. VTNZ felt that the estimated savings from change are exaggerated and the costs are under-estimated. VTNZ also believes that there is a high level of uncertainty about the effect on road safety of varying inspection frequency and that this is not properly reflected. In addition, VTNZ felt that the social cost of vehicle emissions needs to be included in the analysis. The MTA disputed the claim that vehicle defects contribute to 2.5 percent of crashes. They believe that the real figure is between 6 to 10 percent. The MTA proposed that a further investigation into the contribution of vehicle factors to crashes be undertaken before considering changes. The MTA does not believe there has been any evidence provided on the effect of vehicle age on crash rates.

The organisations favouring the status quo noted that the system is currently performing well and claimed that motorists do not maintain their vehicles adequately and the mandatory inspection is likely to be the only time a vehicle would receive attention. They also questioned whether any change to this culture was possible in New Zealand as motorists lack the knowledge and equipment to assess their own vehicles. Organisations also offered statistics based on their business's experience.

A number of individual submissions were also received in favour of the status quo. Notably, the majority of individual submitters who were in favour of the status quo did so by signing and submitting a template form drafted by the MTA and made available for public use. Many individual submitters who were in favour of keeping the status quo are now, or have been, WoF inspectors.

A common theme in submissions favouring the status quo was that the current system is working, as demonstrated by the Ministry of Transport vehicle crash statistics, and that "if it's not broken, then why fix it?" Submitters felt that decreasing the frequency would be a step backwards for New Zealand and that the current system was the only way to ensure road safety. Submitters commonly referred to the 30 percent of vehicles that fail under the current WoF system and supposed this number would increase dramatically under any of the proposed changes. Submitters noted that components such as shock absorbers, tyres and brakes can wear depending on the type of use they receive, and six-monthly checks are needed for these. Examples were given of one-year-old vehicles failing inspections with dangerously worn joints. Submitters with inspecting experience often felt that faults they had detected had resulted directly in lives being saved.

Many submitters were also worried about the potential widespread job loss in the inspection industry as a result of any frequency change. However there were opposing views, with some submitters stating that it is not the government's responsibility to ensure that inspection agencies were able to stay in business at the expense of the public, and that those with a vested interest do not offer a balanced view.

Other common themes in submissions supporting the status quo included the condition of roads in rural New Zealand. Individuals living in rural areas and owners of rural inspection agencies commented that rural roads are not up to standard and that less frequent inspections would increase the number of unsafe vehicles travelling on already unsafe roads. Rural submitters also noted the issue of the time taken to get an inspection due to the distance to an inspection agency. Some submitters raising this point felt that inspections should be less frequent so that rural motorists do not have to make this journey as often. Others felt that this point meant that the status quo should stay as otherwise the few rural testing stations may close down.

Many submitters apprehensive about change felt that the state of New Zealand roads in general is not of a high standard compared to the rest of the world. For this reason, submitters felt that comparison of the current WoF system with other international jurisdictions could not provide a reason for change. Some submitters favouring the status quo said that their ideal option would include a more stringent six-monthly test, or even more

frequent inspections than currently in place, especially for new vehicles, which some submitters felt needed to be checked for defects arising from manufacturing faults or heavy use.

#### *Other options provided*

There were 461 submitters who suggested their own alternative option. Sixteen of these submissions were from organisations, including the Federation of Motoring Clubs (FOMC).

The FOMC suggested annual WoFs for all vehicles more than 30 years of age and no periodic inspections for vintage vehicles (pre-1932). They also suggested that light trailers and caravans with a gross laden weight of less than 3,500 kg should only be required to have annual inspections, as these vehicles do not generally travel long distances. The FOMC also felt that the number of vehicles on the road without WoFs could be reduced with the introduction of roadside checks and incentive schemes such as waiving fines if a WoF is obtained promptly, and demerit points for drivers caught operating unsafe vehicles. FOMC provided a number of statistics from surveying their members. They found that the majority of their members had not failed a WoF in the last 12 months for brake, tyre or lighting faults. They also found that approximately half of their members were in favour of a more simplified test for heritage vehicles and approximately a third supported the status quo.

Another option suggested by many submitters was a hybrid whereby an inspection would be due after either a certain period of time or after a certain distance has been travelled, whichever comes first. This was usually advocated as being fairer to classic vehicles or other little used vehicles. Another popular option was a variation to option one, with various different ages suggested as appropriate for switching from annual to six-monthly inspections.

Other submitters suggested a longer period of time than one year between WoF inspections, such as two or three years. Some suggested a voluntary WoF inspection regime, or removal of the WoF system altogether. It was noted that a number of US states have no inspections at all. A further suggestion was that vehicle inspectors should use their judgement to determine a vehicle's next inspection date. A related idea was that if a vehicle failed an inspection and passed a subsequent inspection, its next inspection should be due earlier than if it had passed the previous one.

There were many themes across the submissions that did not relate to any one option in particular, or were common to all options presented. Many of the themes that have already been presented in this document are representative of general views of the WoF system, the nature of the vehicle fleet in NZ and the level of vehicle maintenance undertaken by motorists. Common views of those in favour of change were that the vehicle fleet is getting safer over time as manufacturing standards and technology have advanced and that the current system is archaic and outdated. They suggested that vehicles produced in the last twelve years are better built and more reliable and, also, that reform to the WoF system is an appropriate way to encourage individual responsibility for a vehicle. Across all submissions, a broad range of vehicle roadworthiness systems from around the world were mentioned. The systems in the USA, the United Kingdom and Australia were often mentioned but

systems such as those in France, Russia, Scandinavia, South Africa and the Pacific Islands were also mentioned.

A number of submitters felt that the price of the current WoF inspection is too high and should be reduced as part of any future reform. This view was often supported by claims that aspects of the inspection were unnecessary or not directly related to safety. Other submitters were concerned about the overall compliance costs associated with getting a WoF, including travel and waiting costs.

Some submitters were concerned that any reduction in the frequency of WoF inspections might cause insurance premiums to rise. Others thought that WoFs should be made voluntary and that insurance providers could ensure that vehicles get tested. It was noted that insurance policies are available for vintage vehicles that often restrict annual kilometres travelled to 5000 kms, and that a WoF for vintage vehicles should be based on a similar principle. The most common theme relating to insurance was that third party vehicle insurance should be compulsory, and required in order to pass a WoF.

Some submitters were unhappy with the distribution of inspection providers across the country. Others were concerned with the consistency of inspections from different providers. Some felt it was too easy to attain a WoF from unprofessional services and that more effort should be made to eliminate 'cowboy' inspectors. On the other hand, it was felt that inspectors were sometimes fishing for work by inventing repair jobs on vehicles that were actually up to WoF standard. But inspectors were not the only ones blamed for perceived 'dodgy' inspections: a number of submitters believed that vehicle owners would add parts to their vehicles so that it would pass a WoF inspection and remove them soon after. Some submitters felt that inspections should only be carried out by a few licensed and independent inspection agencies such as VTNZ, the AA and VINZ. This would help to eliminate any discrepancy between inspections. However, views were polarised on this matter; some considered these testing stations tend to fail vehicles for insignificant defects not related to safety. A further popular theme was opposition to the campaign run by the MTA to maintain the status quo.

A recurring theme was concern with the way trailers are inspected. Submitters commenting on this issue generally felt that trailers should not be inspected at the same frequency as other vehicles. Several alternatives were proposed, with annual or two-yearly inspection periods popular suggestions. Some submitters also noted this may not be appropriate for all trailers; for example, boat trailers are often submerged in sea water and may have rust issues.

Another theme was suggestions for changing the Vehicle Inspection Requirements Manual (VIRM), which contains the guidelines followed by inspectors. One of the more contentious issues was the assessment of rust with people submitting in favour of both more and less stringent testing for rust. Some submitters noted that New Zealand roads are not salted like those in Europe and rust is less of a factor in vehicle deterioration. It was suggested that there is currently too much focus on superficial rust that does not constitute structural corrosion. Other submitters felt that there needs to be more stringent testing on rust with attention given to rust on the body of the vehicle. Another frequently advocated change was

to more conservative minimums for tyre tread depth and brake pad thickness. Submitters noted that tyres were the only part of the vehicle connecting with the road, and claimed that on wet roads the minimum tread depth did not allow effective braking. Additional testing of CV joints was also commonly suggested.

The most common suggested VIRM change was for the inclusion of emissions testing in the WoF inspection. Submitters noted that emissions tests are standard in vehicle inspections in Europe. Submitters believed that this was a key area for WoF reform that had not been identified in the discussion document. It was also proposed that there be a limit on exhaust noise, which should be measured as part of the WoF inspection.

As mentioned previously, submitters were concerned about how Police will deal with vehicle infringements under any reform changes. Submitters had a number of suggestions for harsher penalties for not having a WoF which could be used to reduce non-compliance. There was also support for harsher penalties for 'boy racers', such as crushing more vehicles, and tougher testing of modified vehicles. Submitters also suggested there is a need for stronger penalties for those people with long-term non-compliance issues. Whilst increasing enforcement was popular, it was also noted by many that the police force is already stretched, and the question was raised as to where the extra police officers were going to come from to provide this enforcement.

Submitters identified technology as a key area of focus on when deciding on reform. With regard to enforcement, submitters felt that camera technology should be introduced with the capability to tell whether a WoF or vehicle licence is current. Submitters also suggest that the inspection should take account of vehicle technology, perhaps by varying the inspection depending on the type of technology used in the vehicle. There were also proposals for more equipment to be used in the inspection itself, such as using roller brake machines for all inspections.

## *Transport officials response*

Any reduction in the frequency of WoF inspection will make vehicles less safe and result in increased road deaths and serious injuries.

This is the core issue considered by the review with respect to any change. The terms of reference for the review require that any proposals should maintain or improve current levels of safety.

Comparison with other jurisdictions shows that, with the right approach, longer periods between inspections can be feasible without affecting safety. Modelling, based on the estimated incidence of vehicle faults, shows that changing inspection frequency alone, may result in an increased risk of crashes caused by vehicle factors. The base risk of fault-caused crashes is low, and the level of increased risk is also low, although it increases marginally as the frequency between inspections is increased. Because the increase in risk is low, it is likely the risk could be mitigated by continued or improved vigilance by motorists, encouraged by additional information or enforcement.

WoF inspections should only be available from independent inspectors (who do not repair vehicles)

Independent inspections or inspections from repair garages are currently both available to most consumers, who may choose according to their priorities. Inspection data considered as part of the current review does not suggest that there is, in general, any difference in the standard of inspection from these providers.

Older vehicles should continue to be inspected more frequently

The risk of a crash caused by a vehicle fault does increase with vehicle age but it is very low for all vehicles. Analysis also indicates that this risk has been decreasing over time. Improvements in vehicle technology and manufacturing quality are likely to be contributing to this decrease.

Data from New Zealand crashes show that the risk of a fault related crash begins to increase more steeply at about 12 years of age. This suggests that if more frequent inspections were proposed for older vehicles, the earliest that frequency should increase are 12 years old.

One way of addressing the increased risk would be to retain 6-monthly inspections for vehicles more than 12 years old.

However, it is not clear that the sort of faults that can be remedied by inspection are any more likely to become dangerous in less than a year for older vehicles than for newer vehicles. It is also possible that other measures, such as education and additional enforcement, could also be used to address this risk and achieve roadworthiness more cost-effectively.

Stringency of the WoF inspection and vehicle standards

Both the vehicle standards and the WoF inspection methodology are under continuous review by the NZ Transport Agency and the Ministry of Transport.

The review of the WoF system has considered whether any change to the test would be appropriate as a result of other changes that might be proposed. For example, the inspection would arguably be improved by the consistent use of expensive equipment such as roller brake machines; however, a more rigorous test will only be recommended if it would result in a demonstrable improvement in safety and would be justified by any associated safety risk.

A longer period between inspections will mean that eventual repairs will cost more, and this could affect compliance

Repairs that just require replacement of components should not cost any more for being deferred.

Faults that increasingly damage other components (such as suspension damage), or which spread (such as rust or windscreen damage) could cost more if repair is deferred for too long. Vehicle owners who are concerned about this may wish to continue with more frequent expert inspections, but all vehicle owners should monitor the condition of their vehicles.

The real problem is all those vehicles that don't even have WoF

At any time, up to 10 percent of vehicles do not have a WoF. Obviously, any changes to the WoF inspection will have no effect on vehicles that are not already inspected. However, making the WoF requirements less onerous, by reducing the frequency of inspection, could improve compliance. The other aspects of the suggested options, involving education and enforcement, could also increase compliance.

It is unlikely that any changes that might be proposed to the WoF system will increase the number of vehicles operating without a WoF.

WoF inspecting organisations that also repair vehicles have an interest in making harsh judgements, or inventing faults, in order to profit from repairs

Analysis undertaken for this review by NZIER suggests that there is an issue with over-assessment of faults, though it does not show that it is common. All inspectors must follow specific inspection guidelines, based on Land Transport rules, and must clearly explain the results to motorists. They must also have complaint processes in place, and dissatisfied customers can ultimately pursue complaints with the NZ Transport Agency. Most inspectors have a professional approach and take pride in the integrity of their work.

Opportunities for over-assessing faults do depend on the frequency of inspection, and this has been taken into account in the economic modelling undertaken. The cost-benefit analysis assumed that overall 5-15 percent of the total cost of repairs is unnecessary in order to pass the WoF, though some of this cost might be reasonable pre-emptive work.

## Issues relating to exhaust emissions

Some submitters considered that the inspection test should include tests of exhaust emissions and that social cost of vehicle emissions should be included in the cost benefit analysis report.

Exhaust emissions from vehicles do not contribute to crashes but they do have a negative effect on health. Most exhaust emissions come from vehicles which are working as their manufacturers intended, though newer vehicles tend to be better than older vehicles. However, a large proportion of harmful emissions is produced by a small proportion of faulty vehicles. It is unlikely to be cost effective to measure emissions from all vehicles in order to find these 'gross emitters'. The WoF inspection currently includes a visual test of exhaust emissions, which can identify the very worst vehicles. This is an area of ongoing work by transport officials.

Whilst these issues have been considered, it was determined that any changes to the policy for dealing with emissions would be out of scope.

This is because none of the proposed changes to the WoF or CoF systems would be likely to affect vehicle emissions, and most proposals would not affect our ability to change policy on dealing with emissions should this be justified.

## Vehicle faults must cause more than 2.5 percent of crashes – some overseas studies give a much higher figure

Analysis of actual crashes in New Zealand shows that vehicle faults contribute to about 2.5 percent of crashes. The factors taken into account in establishing this are fully described in the Cost Benefit Analysis Reports available on the Ministry of Transport website.

There is no reason why the proportion of crashes caused by vehicle faults should be the same in different countries or at different times. The proportion of crashes due to faults in other countries will be affected by the nature of the fleet, the vehicle maintenance culture, the vehicle inspection regime, if any, and, in particular, any other factors causing crashes.

Nonetheless, the figure of 2.5 percent for New Zealand is similar to the most recent and rigorous estimates from research in other jurisdictions. Reports of higher proportions have tended to come from older research in quite different conditions.

## New Zealand needs more frequent vehicle inspections because New Zealanders are so bad at maintaining their vehicles or people do not know how to check the safety of their vehicle

There is no evidence that New Zealanders are any better or worse at maintaining vehicles than people in other countries. Most people everywhere have little in-depth knowledge of cars and can be constrained by the cost of servicing. Fortunately, the most dangerous faults, such as those associated with tyres, lights and brakes, are fairly obvious to motorists. In any case, these should be repaired immediately – not left until the next inspection is due. It is proposed that the NZ Transport Agency provide more information to vehicle owners about how to spot dangerous faults.

### The current system is working; why change it?

The current system seems to be effective in maintaining vehicle roadworthiness and achieving a certain level of safety. The issue is whether motorists are paying more than is necessary to achieve this level of safety. It is likely that the same level of safety could be maintained at less cost to vehicle owners.

### Around 30% of vehicles fail their WoF inspection – this would be bound to increase if inspections were less frequent

Motorists would have the same reasons as they currently have to avoid their car failing, and it is proposed that more information would be available to enable them to better maintain their vehicle. Because of this, a significant change in failure rate is not expected. The failure rate is not a concern in itself, as it reflects the system working by identifying and correcting potentially dangerous vehicle faults.

### Reducing the frequency of WoF inspections will cost inspectors' jobs

If the frequency of WoF inspection were reduced, fewer inspectors might be needed. Inspectors are also mechanics and, for many, vehicle inspection is only part of their work, but it is certainly possible that some inspectors might lose their jobs. The average age of vehicle inspectors is high, so some might have difficulty finding other work.

These outcomes would be regrettable, but it is not the role of the WoF system to provide employment by requiring unnecessary work. It should also be noted that the high average age of inspectors means that at the current frequency of inspection, there is likely to be a shortage of inspectors in the near future.

### Issues relating to rural roads and drivers

Some submitters considered that rural roads are especially hard on vehicles, so rural vehicles need more frequent inspection.

It may be true that some rural vehicles experience heavier wear and tear than other vehicles, but this is unlikely to justify a more stringent inspection regime, even if this could be fairly administered. The inspection covers all items that might affect safety, and rural vehicles do not present a special case.

Other submitters considered that rural drivers have to travel long distances to get inspections, so rural vehicles should be inspected less frequently.

Some drivers may have further to go for an inspection, but there is no reason to require lower standards of rural vehicles

### New Zealand roads are harder on vehicles, or more dangerous, than other countries, so international comparisons are irrelevant

There is a wide variety of road types internationally. Different countries have different mixes of road types but, overall, it is hard to say that New Zealand roads are significantly different to other countries. So, the effects of different roadworthiness regimes in other countries are relevant. However, the options proposed were based on analysis using New Zealand data on crashes and costs.

It is also important to remember that the largest proportion of vehicles in New Zealand also travel on our best quality roads.

#### The rigour of the inspection should depend on the age or mileage of the vehicle

The review has considered conditional variations to the inspection. However, small variations to the test are unlikely to produce worthwhile savings. Also, a young or low mileage vehicle that is in poor condition would still deserve close attention so, given that an inspection will assess the actual condition, it makes little sense to pre-determine the level of inspection.

#### Owners of multiple vehicles are unfairly disadvantaged by mandatory periodic vehicle inspections

Submitters commented on a number of issues relating to this, including expressing views that inspection frequency would be better based on age or distance travelled, and that a distance travelled inspection system would be fairer for owners of vintage or classic vehicles and families with more than one vehicle.

A WoF inspection is a safety check of a particular vehicle. To the extent that this helps to maintain the roadworthiness of the vehicle and contributes to public safety, it is a reasonable cost of owning a vehicle. There is no per se reason that vehicles should be treated differently if their owner also owns other vehicles.

However, owners of multiple vehicles often have vehicles that do a low mileage or are little used. These may be hobby vehicles, special purpose vehicles or be classic or vintage vehicles.

Compared to fixed time periods, distance intervals are not necessarily better matched to faults, are more difficult to comply with, and more difficult to enforce.

Many faults are caused by wear and tear, for which the distance travelled is a factor, but not the only factor. For example, high mileage vehicles mostly travel at a constant speed on highways, which is fairly easy on vehicle components compared to a lot of stop-start use. Vehicles used infrequently have their own problems. As submitters noted, components such as brake cylinders can seize, hydraulic tubing can rust from inside and rubber parts such as hoses, seals and bushes can perish. These problems can occur regardless of distance travelled and are likely to be worse for older components. Structural rust is better correlated with age than mileage.

Most vehicles travel similar distances in a given time frame, so it makes little difference whether they are inspected based on distance or time. On the other hand, neither system will seem ideal for vehicles with unusual patterns of use.

An inspection period based on distance travelled is more difficult to comply with. Currently, a motorist can look at a WoF sticker and know when an inspection is due. If the sticker showed a distance, the owner would have to regularly check the odometer reading. Reminder notices, which are sent out by many inspecting organisations, and which could be introduced by the NZ Transport Agency, would be difficult to maintain. As a result, accidental non-compliance could increase, along with deliberate non-compliance.

A distance travelled inspection period is also more difficult to enforce. There is no external indication of the distance travelled, so the WoF could not practically be enforced by Police or parking wardens. Automated enforcement, which could be introduced for a time-based system, would also not be practicable, as the vehicle register cannot predict distance travelled.

The review has considered whether vintage and classic vehicles should be treated differently, regardless of what recommendations are made for the rest of the fleet. The United Kingdom, for example, has recently exempted vehicles manufactured before 1960 from its periodic inspection regime while the EU is considering exempting vehicles more than 30 years old. The issue is not straightforward. As noted, many faults are correlated with time rather than distance travelled, and these are likely to be more of an issue with older components. Furthermore, although vintage and classic vehicles are often cared for by knowledgeable owners, proper maintenance can also be deterred by parts that are expensive or difficult to obtain, and DIY repairs may not be to professional standards.

Some sort of hybrid of option 2 and option 3 should require an inspection after a specified time period or distance travelled, whichever comes first. This would be fairer to owners of classic cars.

In principle, this seems a good way to target inspections to the likelihood of faults developing. In practice, it would have most of the disadvantages of an inspection period based on distance travelled but would add complexity. Complexity in the inspection system is undesirable because it increases administration costs and discourages compliance. Because most vehicles travel a similar distance in a similar time period, there would be little benefit from this added complexity.

Older vehicles should continue to be inspected more frequently

The risk of a crash caused by a vehicle fault does increase with vehicle age but it is very low for all vehicles. Analysis also indicates that this risk has been decreasing over time. Improvements in vehicle technology and manufacturing quality are likely to be contributing to this decrease.

Data from New Zealand crashes show that the risk of a fault related crash begins to increase more steeply at about 12 years of age. This suggests that if more frequent inspections were proposed for older vehicles, the earliest that frequency should increase are 12 years old.

One way of addressing the increased risk would be to retain 6-monthly inspections for vehicles more than 12 years old, which is the approach under option 1.

However, it is not clear that the sort of faults that can be remedied by inspection are any more likely to become dangerous in less than a year for older vehicles than for newer vehicles. It is also possible that other measures, such as education and additional enforcement, could also be used to address this risk and achieve roadworthiness more cost-effectively.

#### Other options for different WoF inspections periods

Some submitters suggested that WoF inspections should only be required every two or three years for all vehicles in the fleet. Long periods between inspections for all vehicles in the fleet would mean that inspections might not pick up defects before they became dangerous. The system would depend on these faults being repaired regardless of inspections, in which case the inspections themselves would be of limited value.

It was also submitted by some that vehicles should have shorter periods between inspections if they fail a WoF or if their condition is poor. If a fault found at a WoF inspection is repaired, it should be some time before a similar fault recurs. Failing a WoF does not indicate that further faults will occur more frequently. Vehicles that are in a poor condition may be less reliable and may develop more faults in a period of time but it is not practical to set objective criteria by which this may be assessed. Periods of up to a year between inspections would allow inspectors to advise motorists when repairs may be necessary.

Some submitters suggested that vehicles that are imported second-hand should be inspected more frequently than NZ-new vehicles. There is no evidence that used imports are more prone to safety faults than NZ-new vehicles of the same age.

Other submitters suggested that modified vehicles should be subject to more frequent inspection than unmodified vehicles. Similarly, others expressed concern that longer inspection periods would mean that unsafe modifications could go un-noticed for a long time. In particular, option 2 would mean that a new vehicle is not looked at for three years, and under option 4, a modification might never be detected. It is noted that many popular modifications have no effect on vehicle safety. Modifications that might affect safety must be certified by a qualified engineer. There is no reason to think that legally modified vehicles are more prone to develop safety faults, so there is no reason to inspect them more frequently. We also suspect that deliberately illegal modifications are not presented at WoF inspections, so the WoF system is not the way to address these. However, people may inadvertently make illegal modifications, and these would be picked up during the WoF inspection. We have no evidence of a significant problem with illegal modifications to new vehicles; however, this concern is certainly a disadvantage of option 4, which proposes no periodic inspection.

It was also submitted by some that WoF inspections should alternate between a rigorous inspection and quick check of the main safety items. Whilst this sort of arrangement has some appeal and might be well targeted to risk, the inconvenience and time lost for a quick check would be close to that of a full check. If other problems were noticed in a quick check, they should not be ignored, so the difference might blur. Overall, a lighter test might not produce worthwhile savings.

### The price of WoF inspections is too high, or there is too much variation

All WoF inspections are provided by private companies and the price of inspection is not regulated. The price is set by the inspecting organisation but it is required to be reasonable with respect to the time it takes to carry out an inspection and the standard rate the organisation charges for other work. The price includes a fee of 81 cents that goes to the NZ Transport Agency to pay for administration and printing the WoF labels.

There is no intention that the government will regulate or subsidise the price of WoFs.

### If WoF inspections are less frequent, the cost of inspections will increase

The price of inspections is not regulated and is set by the inspecting organisation, so prices can vary. However, the time taken to complete an inspection is not likely to change much as a result of this review. Furthermore, although the proposals would reduce demand for inspections, it would be expected that the number of inspecting organisations would also reduce. The economic modelling undertaken as part of this review does not suggest that there will be significant changes in the price of inspections.

A large part of the cost savings predicted from decreasing the frequency of WoF inspections comes from the time and inconvenience that would be saved.

### If WoF inspection frequency is reduced, the number of crashes will increase and insurance premiums will go up.

The purpose of this review is to investigate whether costs for vehicle owners can be reduced without reducing safety. No recommendation will be made that is expected to increase crashes. There is no reason for this review to affect insurance premiums.

### Compulsory third party insurance should be a WoF requirement.

Insurance is out of scope of this review.

However, many people do not appreciate that injury insurance is already compulsory – it is the ACC component of vehicle licensing.

New Zealand already has very high levels of third party vehicle insurance – comparable with countries in which third party insurance is compulsory. The principal reason for some countries making insurance compulsory is to compensate for injuries; no country makes property insurance alone compulsory.

### WoF inspections are inconsistent from one inspector to another

All WoF inspecting organisations inspect to the same standards. These are legal vehicle standards, set out in the Land Transport rules, and the test criteria and methodology are set out in the Vehicle Inspection Requirement Manual (VIRM). Both the rules and the VIRM are available on the NZ Transport Agency website.

WoF inspectors are also regularly audited to ensure proficiency and consistency. It is inevitable that there will be a little variation in interpretation and judgement.

### Stringency of the WoF inspection and vehicle standards

Both the vehicle standards and the WoF inspection methodology are reviewed and monitored by the NZ Transport Agency and the Ministry of Transport.

The current review of the WoF system has considered whether any change to the test would be appropriate as a result of other changes that might be proposed. For example, the inspection would arguably be improved by the consistent use of expensive equipment such as roller brake machines; however, a more rigorous test will only be recommended if it would result in a demonstrable improvement in safety and would be justified by any associated safety risk. In addition, vehicle standards are outside the scope of this review but are continuously monitored by the NZ Transport Agency and Ministry of Transport.

Some submitters suggested that older vehicles should have more stringent inspections. They also tend to fail inspections more often. However, the data also shows that the risk increase from moving to annual inspections for these vehicles is small and, overall, is declining over time as vehicle quality improves.

There is also no connection between vehicle standards and the time period between WoF inspections. Vehicle standards apply at all times, not just at a WoF inspection. Furthermore, the WoF inspection is only a check that a vehicle meets the required standards at the time of the inspection – it is not a guarantee that the vehicle will continue to meet these standards until the next inspection. So, for example, if a tyre passes a WoF, but is at the minimum 1.5mm tread depth, it would need to be replaced shortly after before it wears below the safe minimum.

A number of submitters made specific suggestions about changes that should be made to the test. Some suggested, for example, that damaged CV boots should be a reason for rejection for WoF. It is noted that inspectors are instructed to point out if a CV boot is damaged, but damaged CV boots are not considered a safety critical fault. Even a damaged boot can afford some protection and CV joint wear will become very noticeable long before a failure is likely. The condition and performance of the joint itself is checked at a WoF inspection, so actual damage will be picked up and we have no evidence that it is a significant cause of crashes.

Others suggested that the WoF inspection should include vehicle servicing, such as oil changes. Vehicle owners are free to have their vehicle serviced at the same time as a WoF inspection, if they choose an inspection agent that also undertakes repair. The WoF inspection is only intended to establish that the vehicle is safe to be used on the road.

A number of suggestions were made about tyres, such as that there should be a higher minimum tread depth required or that there should be an age limit for tyres. Tyre performance deteriorates with age as well as with wear. Old tyres can perform quite poorly while still having plenty of tread. This is a particular issue for low mileage vehicles. However, the effect of tyre age varies considerably depending on the conditions of use, such as climate. This is an issue of ongoing concern for transport officials but at this stage it is not

considered practical to prescribe an age limit for tyres. The WoF inspection includes a check of tyre condition as well as tread depth and would pick up visible degradation.

Another issue raised was whether the current inspection test checks things that are not related to safety. With just a few exceptions –for example, exhaust noise – all the items checked at a WoF inspection are related to safety in some way. It is sometimes claimed that items such as windscreen washers or fog lamps are not safety items, but it is worth considering what the functions of these items are. For example, dirty windscreens are identified as contributing to crashes therefore checking the windows wipers has merit.

#### Other ideas to make compliance easier

Some submitters suggest that WoF should be combined with vehicle licensing. Vehicle licensing can be purchased for any length of time between 3 and 12 months. A majority of motorists take advantage of this flexibility by licensing for less than a year. Similarly many people would prefer not to have to pay for both WoF and licensing at the same time. Anyone who wants to align their WoF with their vehicle licensing is already able to do so by scheduling their inspection appropriately. Some inspecting organisations also provide vehicle licensing, so payment can be made at the same time.

Other submitters noted that it can be easy to accidentally miss renewing a WoF and it would help to be sent reminders. The NZ Transport Agency currently posts reminders to vehicle owners when vehicle licensing is due, but does not do so for WoF. Many inspecting organisations do send WoF reminders to their customers, and at least one web-based service is available that will send email reminders.

It was also suggested by some submitters that there should be a fee charged for re-checks, to encourage people to pass the first time. Alternatively, the re-check period should be shorter. If a vehicle fails a WoF inspection and has to be repaired, there is no charge for a re-check that occurs within 28 days of the original inspection. This avoids discouraging people who are unsure of passing from having an inspection, and means that money can be put towards repairs rather than re-inspection. However a re-check already has a cost in time and inconvenience, especially if there are significant unscheduled repairs or if the vehicle has to be taken back to the inspector. The point of requiring an expert inspection is that people are not usually experts. While maintenance is important, the reason vehicles pass or fail a WoF is not entirely down to the behaviour of the owner, so it does not make sense to reward or punish inspection results. For example, newer cars tend to fail WoF less often, but it is unlikely that this is because owners of new cars have better mechanical knowledge.

Other submitters suggested that WoF labels should be better quality and could have their expiry dates printed, or be different colours to indicate when they expire. Improvements to WoF labels will be considered.

If lower costs to motorists, because of fewer WoF inspections, mean that the government has to spend more on measures to mitigate the potential increase in risk, then taxpayers will be subsidising the use of cars

Measures such as education and improved enforcement will have a modest cost relative to expected benefits, and are likely to be paid from the National Land Transport Fund that is funded by motorists.

Claims that vehicles in NZ need more inspection than vehicles in Australia because we have a very different vehicle fleet are not true

Although the age profile is a little different (NZ has a few more older vehicles than Australia), the types of vehicles in the NZ fleet are much the same as in Australia and in other otherwise comparable countries.

There is no reason to assume that another country's system of vehicle inspection is optimal, or would be best for NZ, but comparisons are useful.

Vehicles that are regularly serviced should be exempt from WoF, or should automatically be given a WoF

If a vehicle is serviced by a mechanic who is also a WoF inspector, then a regular service could include a WoF safety check, and a WoF could be issued. If a service does not include a safety check, then there is no reason to substitute it for a WoF inspection.

I like having a WoF check every 6 months because I don't want to check my vehicle myself, or don't think I have the expertise to do so

The vehicle faults most likely to cause crashes – worn tyres, broken lamps and faulty brakes – are either easy for drivers to check (tyres and lights) or, in the case of faulty brakes, very likely to be noticed before they become dangerous.

Nonetheless, there is nothing to stop anyone from having a safety check at any time, or even from having WoF inspections more frequently than required.

## **Certificate of Fitness (CoF) Options for Change**

### **Option one: variable frequency with six-monthly inspections as default and greater flexibility in inspection services**

#### *Summary*

Option one was favoured by 293 submitters out of the 1,900 submissions received on CoF reform. Eighteen of the submissions in favour of option one were from organisations, including the MTA, the Insurance Council of NZ, VTNZ and the AA.

These organisations felt that greater flexibility in the CoF regime was feasible. The MTA and Insurance Council suggested that variations from the default inspection frequency could be influenced by the Operator Rating System (ORS). Three-monthly inspections could be for poor performing operators and twelve-monthly for five star operators. VTNZ felt that six-monthly should remain the default frequency and should also be the average frequency under any new system. VTNZ and MTA both supported an advice and education campaign as part of reform to improve the safety of the commercial vehicle fleet. The AA, MTA and VTNZ all supported reducing re-checks. VTNZ advocated allowing minor repairs to be done at the testing station or by the repairer or operator. The AA felt that CoFs could be issued despite minor defects and that operators could be allowed to perform repairs without needing a re-check. The MTA and AA felt that application of a variable inspection frequency would need to be accompanied by an audit regime.

VTNZ and the AA argued that under any reform, CoF inspections should continue to be restricted to independent testing stations only. VTNZ also said that the proposed CoF changes would affect the availability and cost of CoF inspection services. The MTA and VTNZ supported increased enforcement, and the MTA suggested that heavy vehicle roadside enforcement be undertaken throughout the country regardless of road type. The MTA felt that light rental vehicles should be made subject to the WoF regime in future as a CoF A for a rental vehicle involves the same inspection required for a WoF. Countering this, the AA supported the continued use of the CoF A regime, as it provides a level of assurance to the user that the vehicle has been independently inspected.

Submitters who were in favour of option one felt that vehicles that are subject to CoF inspections generally do more kilometres than private vehicles and frequent inspections are necessary. Along with distance travelled, submitters also had concerns that these vehicles often have large mass and have the potential to cause a lot more harm than private vehicles if involved in an accident.

Submitters had concerns that fleet operators are not always responsible and may tend to save on maintenance and neglect their vehicles. Submitters felt that option one rewards owners who properly maintain their vehicles with a reduced frequency, while the six-monthly default inspection will maintain safety outcomes. Many submitters referred to the ORS. They felt that operators should be penalised by downgrading their ORS rating for poor performance at CoF inspections. However, it was commonly thought that minor defects should not affect an operators ORS rating.

Submitters in favour of option one often suggested a distance-based regime, as vehicles that are subject to CoF vary greatly in the distance they travel each year. Submitters had concerns about brake failures in these vehicles. A number of submitters also noted that heavy vehicles can wear brakes extremely quickly due to the heavy loads carried. There was also concern for the brakes in lighter commercial vehicles, particularly rental vehicles that have many different drivers. Submitters also support penalties for operators who do not complete repairs required as a result of CoF inspection. Some submitters questioned why driver demerit points were considered as part of WoF reform but not for CoF.

### **Option two: variable frequency with 12-monthly inspections as default and greater choice over inspection services**

#### *Summary*

Option two was supported by 245 submitters from the 1,900 submissions received. Ten organisations were in favour of option two, including Federated Farmers and the Bus and Coach Association (BCA).

Federated Farmers supported option two but felt that it must be combined with an educational campaign explaining how to maintain and service heavy vehicles. They submitted that farmers have difficulty finding a testing station or service centre which will test agricultural vehicles. To deal with this issue, Federated Farmers proposed an improved mobile service be developed for vehicle owners in rural areas, and for voluntary safety checklists to be developed for each type of agricultural vehicle in consultation with the sector. The BCA felt that the frequency of inspections could be based on ORS ratings. They also felt that frequency should also consider the age of the vehicle as new vehicles are safer on the roads. The BCA also support enabling appropriately accredited operators or independent third parties to acquire a COF on-site. They also noted the importance for TSDAs continuing to provide offsite testing in smaller centres or rural areas where some operators are unable to conduct their own testing.

Submitters favouring option two argued that the current CoF regime of six-monthly inspections is excessive as modern commercial vehicles have superior components to earlier vehicles. Submitters also felt that the age of the commercial fleet is younger than that of the private fleet. Some submitters felt that there were advantages to the greater number of kilometres travelled by commercial vehicles in that they are not at risk of having parts seize up from limited use. A common theme was that option two presents the best opportunity for savings in compliance costs to consumers.

Submitters favouring option two generally thought that operators were motivated to carry out regular maintenance because it would mean less time and money spent on repairs in the long run and greater longevity of their fleet. An annual default inspection would appropriately reflect this willingness to self-maintain. This view of operators was in contrast to those who favoured option one. However, submitters did recognise that there are some operators who do not carry out routine maintenance. Another common theme across submitters in favour of CoF reform, but in particular those recommending option two, was that WoF and CoF

regimes should not be distinct, and that private and commercial vehicles should be treated on an even playing field. It was suggested that the current system has odd discrepancies; for example, courtesy vehicles and loan vehicles have WoF inspections while rental vehicles have a six-monthly CoF. Submitters also questioned why only certain testing agencies are able to perform a CoF inspection.

Another theme evident in submissions in favour of option two was that vehicles that do not travel large distances are treated unfairly by the current system. A number of submissions came from people noting that their motor homes required a CoF every six months even though it only was used in the summertime. Some submitters felt that vintage or infrequently-used vehicles that are no longer used for commercial purposes, such as a bus which has been converted for private use only, should be exempt from the CoF regime or provided with an alternative scheme to commercial use vehicles. Other submitters felt that agricultural vehicles are inspected too frequently given the small distances that they travel on roads.

### **Option three: alternative accreditation**

#### *Summary*

Option three was favoured by 63 out of the 1,900 submissions received. Submissions in favour of option 3 were all made by individual submitters.

Submitters favouring option three felt that it was logical to encourage operators to maintain their own vehicles and many argued that this is the norm for many industries. Submitters felt that operator accreditation would address the lack of competition that they thought afflicted the CoF industry. Submitters felt that operators could be incentivised with accreditation for good performance in CoF inspections or ORS rating.

There were also a significant number of submitters who strongly opposed option three. These submitters felt that vehicle owners should not be allowed to manage their own maintenance as it would lead to corruption in the industry. Submitters also felt that option three was not viable and would cause the CoF inspection system to collapse. Others were less opposed to option three, but did recognise the risks associated with implementing such a regime. These submitters suggested more roadside checks by Police, and heavy fines for non-compliance.

A common theme among submitters favouring option three was that it should be applied only to certain sectors of the transport industry, or geographical areas where there are limited testing stations. Submitters commonly felt that operators in rural areas sometimes have to travel large distances to get inspected. A notable example is the Chatham Islands, which has only one testing station for all CoF inspections. Submitters felt that there should be better access to inspection services and suggested accrediting more testing stations in these areas. Other submitters felt that bus companies could be accredited to perform CoFs as they will often have the facilities to carry out CoF inspections.

### **Other issues raised in submissions on the CoF A and CoF B, which have not already been identified in the discussion document**

The most popular alternative to the proposed options was the status quo. 1,209 submitters rejected any change. Twenty organisations that submitted were also in favour of the status quo, including the NZ Taxi Federation.

The Taxi Federation favoured the status quo as the distances covered by taxis are greater than domestic vehicles subject to WoF and they felt that extending CoF checks beyond a six-monthly interval would compromise road safety generally and the safety of taxi operators. The Federation saw brakes, tyres and steering as safety critical systems that needed frequent checking. The Federation was also concerned that the competitive operating environment in the taxi industry would tempt some operators to treat vehicle safety less seriously than they should if inspections were less frequent.

The large majority of individual submissions were made using the MTA template which was strongly in favour of the status quo. Many of the issues raised by submitters discussing option one mirrored those covered by submitters supporting the status quo. Submitters felt that the wear and tear on commercial vehicles, because of how they are used, is much greater than for private vehicles, meaning frequent inspections are necessary. Brakes were a particular concern. Submitters also felt that heavy vehicles are more dangerous and that safety should be the priority when considering reform of the CoF regime. Submitters in favour of the status quo felt that flexibility around CoF inspections would be hard to standardise and possibly unworkable. Many submitters pointed to the apparent failure of self-certification in the building industry as an example of the risk. Submitters in favour of the status quo also suggested that emphasis should be given to ensuring operators are up to standard rather than modifying inspection frequencies.

Some submitters felt that reform may be occurring because of the good results achieved since the implementation of the ORS rating. They felt that any reform changes would compromise the good work by operators in recent years to keep heavy vehicle crashes down. Submitters felt that organisations that own heavy vehicles need to be transparent in their capabilities to maintain their fleet, both in vehicle maintenance and staff. The status quo was viewed as the best way to achieve this.

Alternative options were proposed by 114 submitters, out of the 1,900 submissions received. Thirteen submissions from organisations were in favour of an alternative option including the RTF, TR Group and VINZ.

VINZ supported relaxing the need for CoF rechecks when faults are minor, initiatives such as information and advice, greater use of compliance technology, and increased and better targeted enforcement. However, VINZ were concerned that CoF A and CoF B were not clearly distinguished in the discussion document and felt that the case for reform was not uniform. The RTF were of the view that the current 'one-size-fits-all' CoF inspection does not work. The Forum felt that a flexible inspection system could work if closely aligned with the ORS, as also suggested by other organisations. The RTF did propose an alternative inspection regime including an annual mandatory inspection, except for vehicle travelling more than 250,000km per year, for the first two years of a vehicle's life, after which inspections would be required every 6 months. The RTF also proposed a revised inspection

delivery model with a simplified set of inspection site requirements. The RTF felt that inspections should be available on demand and that the present model's inability to provide 24/7 service can be very costly for an operator.

The TR Group proposed a system that would be a blend of the three options from the discussion document. The TR Group felt that the base COF period of 6 months, with provision for approved operators to move to 12 months would be best. This would be combined with restructuring inspection services to allow other operators to provide this service, and the provision for operator accreditation, where auditable processes demonstrated that continuous compliance to a high standard was being achieved. While the TR Group had a positive view of the self-accreditation regime proposed in option three, more organisations opposed such a regime. VINZ cited instances of deregulation in the building and motor vehicle sales industry that have resulted in an increase costs to both government and consumers, as the system can be easily exploited. The RTF also viewed the alternative accreditation model unfavourably because of the perception that it will allow cheating.

The most popular option that was not included in the discussion document was an option for CoF inspections to be based on a distance travelled regime. Submitters felt that a distance-based option would best address the characteristics of vehicles subject to CoF inspections, which often travel large annual distances. This sentiment was also shared by those that have CoF vehicles that travel low distances such as motorhomes. Many submitters felt that a distance-based inspection system would be easy to implement as a lot of vehicles subject to CoFs are also subject to Road User Charges (RUC), making alignment easier. Submitters often suggested that a system based on distance travelled or a time period, whichever comes first, is most appropriate. These submitters felt this type of system would better take the age of a vehicle into consideration.

Some submitters were opposed to CoF inspections and felt that the system should be abolished. These submitters generally felt that operators kept their vehicles well maintained and that the CoF system was an unnecessary burden. Other alternative options included making inspections voluntary for operators, or keeping the default inspection but allowing operators to skip their next inspection if no faults were found.

Some other issues raised related to all or none of the CoF options, or were comments about the CoF system in general. Submitters were concerned that oil leaks, tyres and brakes were major issues, especially for heavy commercial vehicles, and that any CoF reform should not relax the inspection of these parts. Another suggestion was the introduction of emissions tests to CoF inspections, on the grounds that commercial vehicles have a significant effect on emission levels, and that testing emissions would help bring New Zealand in line with the rest of the OECD.

Submitters' views varied on whether independent testing stations should only be allowed to issue CoFs. Many felt that only having testing stations carrying out CoF inspections was unfair, and that there is insufficient competition as a result. Other submitters felt that having only independent testing stations issuing CoFs helps to keep the testing fair and consistent across organisations, and favoured the status quo for this reason.

Some submitters felt that Police interpret requirements for CoFs differently from CoF inspectors, and asked for more consistency. Similarly, several submitters felt that there should be a closer working relationship between the Commercial Vehicle Investigation Unit (CVIU) and testing stations. In general submitters were in support of the work of the CVIU. Submitters felt that future enforcement, if change was to take place, should include heavier penalties and demerit points for non-compliance, and more spot checks carried out by Police. However in response to this sentiment, some submitters apprehensive about change felt that there were not enough Police officers available to monitor a more flexible regime adequately.

#### *Transport officials response*

#### A variable inspection frequency for CoF could be linked to the Operator Rating System.

For CoF B, it would make sense to take ORS ratings into account when specifying a vehicle's inspection frequency, at least to the extent that the rating is affected by the condition of vehicles. The NZ Transport Agency will need to develop criteria specifying the circumstances in which a variable frequency would be applied.

#### CoF re-checks should be reduced, either by allowing minor repairs by the inspector, or by just noting that repairs must be made.

Yes, much of the cost of inspection for commercial operators arises from getting repairs, this could be reduced by a different approach to minor faults.

#### A variable CoF inspection period would need to be supported by an audit regime.

The inspection itself is the audit that would test the appropriateness of the inspection period, but on-road inspection by the police CVIU would continue.

#### The proposed changes to CoF could affect the availability and cost of inspections.

This is possible and is an important part of the economic modelling that has been undertaken as part of this review. It is likely that there would be some trade-offs from any changes but the objective is to reduce costs for industry while maintaining safety.

#### Heavy vehicles are a special risk because they are often subject to high levels of wear and tear and the consequences of a crash can be very high.

Yes, this is the reason for a separate CoF regime. No proposals will be recommended that are expected to reduce safety.

#### Variable inspection frequencies and Operator Safety Ratings should be used to provide and incentive for operators to maintain safety standards and not cut corners.

Yes. The overall system should reward safe behaviour and discourage and punish bad behaviour. Both the ORS and variable inspection frequency can be used to provide the right incentive structure.

CoF inspections should depend on the distance travelled, rather than a time period, as this corresponds better with wear and tear on vehicle components.

Basing the CoF inspection period on distance travelled is more feasible than for WoF, at least for heavy vehicles, because mileage is displayed on the hubodometer, and monitored for road user charges. However it is still the case that distance travelled corresponds only loosely with the type of use, and the range of usage is even wider with commercial vehicles.

So while distance based CoF inspections would be possible, it may make more sense to take expected distances travelled, and other aspects of use, into account when specifying the time period of a variable inspection frequency.

Low-mileage heavy vehicles (for example motorhomes, agricultural vehicles or classic heavy vehicles such as old buses)

The current review will give consideration to what types of vehicle are appropriately dealt with by the CoF system.

Operators could not be trusted to certify their own vehicles as they have a conflict of interest between safety and profits.

It is acknowledged that industry is not always motivated to maintain safety at the risk of profits.

The benefit of self-certification for some commercial vehicle operators would be that it could significantly reduce costs. If such a system were proposed, it would be a privilege that an operator would not want to risk losing. However, the incentive to maintain standards would have to be supported by regular auditing of procedures and results. On-road enforcement would continue and would also form part of the audit.

## Annual Vehicle Licensing (AVL) Ideas for Change

Ideas for change:

- Paying by direct debit, allowing to set the payment up once and spread the cost of licensing in a more convenient manner
- Early paying incentives
- Choosing to receive reminders by email or text messages
- Late payment penalties
- Allowing fleets to be managed through one account

### *Summary*

Of the 1,543 submissions on the suggested AVL ideas for change, 570 submissions supported direct debit, 986 supported early payment incentives, 636 supported choosing to receive reminders by email or text messages, 211 supported late payment penalties and 286 supported the use of fleet management tools through an account system. A number of organisations also submitted on the various ideas for change suggested, including VINZ, VTNZ, RTF, AA, FOMC and NZPG. VTNZ noted that they were happy to collaborate with the NZ Transport Agency to help implement these ideas should they go ahead. RTF had limited support for the suggested ideas. They noted that any new IT based administration process would entail additional investment and questioned who would pay for this and how effective it would be. RTF felt that using more convenient payment techniques would be unlikely to overcome the reluctance to pay that exists currently.

NZPG were supportive of the proposed ideas for change and submitted consumer research in support of their arguments. They suggested that a wide range of payment methods are necessary to make payments convenient. They noted that payments over the internet are increasing and direct debit continues to be a strong and stable method of payment. In contrast, cash and EFTPOS payments are decreasing. NZPG research concluded that convenience is a factor for changing types of payments for two-thirds of consumers. NZPG noted it is also important to understand the costs associated with maintaining the various payment methods. They also felt that improved communications such as text and email reminders can offer benefits to organisations. NZPG felt that they can provide insight and knowledge that will help the MoT and NZ Transport Agency with the migration of payments to alternative channels should this reform go ahead.

Individual submitters were generally in favour of the ideas for change suggested. However, late payment penalties generated the most negative response. Some submitters felt that late payment penalties would not help, as people who do not pay on time due to financial trouble would be even worse off. Submitters with large vehicles fleets could see great benefits to allowing their fleet to be managed through one account. Some submitters did question the lack of substantive regulatory change in the ideas for change put forward. They felt that the ideas were measures that any efficient organisation should have in place rather than being proposed as part of a reform of the AVL system.

### *Transport officials response*

The main issues of the annual vehicle licensing system relate to poor payment timeliness, a punitive and costly enforcement system, and the fact that the system does not meet regulatory best practice. The ideas for change relate to a desire to make using the annual licensing system and complying with continuous licensing requirement as easy as possible for motorists and reduce compliance costs. This type of approach is sometimes called a 'willing compliance model', where the aim is to make complying as easy as possible, and provide clear consequences where people have to choose not to comply. A critical aspect is providing informative and timely advice to customers about the process, where in the process they are and the consequences of not paying. This enables motorists to make an informed choice. By making a choice, the consequences in the form of penalties and infringements can be graduated to take into account some of the intent.

As mentioned above, a significant number of submitters were in support of the tools that were included in the discussion document. In addition to the tools mentioned in the discussion document, officials are also considering the use of a grace period from continuous licensing offences. This would mean that motorist would not receive a continuous licensing infringement notice during the grace period. A grace period is not proposed for other licensing offences such as using a vehicle while it is on a temporary exemption.

Implementation of the tools mentioned in the discussion document is dependent on a more detailed scope of the tool to establish whether it is feasible. As such, it is likely that not all the tool mentioned will be implemented. For example the NZ Transport Agency has advised that implementing an early payment discount/incentive could be unnecessary on the basis that a late payment penalty offers an incentive for motorist to pay on time.

The following regulatory changes would allow a willing compliance model to be put in place for the annual vehicle licensing system:

- a short grace period from continuous licensing offences
- a late payment penalty for those that do not pay on time
- allowing the non-payment of annual vehicle licensing fees and levies to be referred as a defaulted payment on credit rating records
- allowing the use of graduated continuous licensing infringement fees.

In addition, the NZ Transport Agency should consider the following operational changes:

- diversifying the communication mediums to include the use of email and text message reminders for those motorists that opt-in
- amending the frequency and content of the reminder notices in consideration of the grace period and use of late payment penalties.

## **Other changes raised in submissions to improve the AVL system and reduce costs, which have not already been identified in the discussion document**

### *Summary*

A number of organisations submitted with suggested improvements to the AVL system including MTA, VINZ, AA, VTNZ, RTF, Federated Farmers, MIA and FOMC. The MIA, MTA and VINZ felt that the government is missing its greatest opportunity for reform with the proposed changes, as the proposed changes are only tinkering with the current system rather than reforming it. They felt that large savings could be made in this area. The MTA viewed AVL reform as the greatest chance to achieve the government's goals of minimising enforcement and maximising fairness to motorists. VTNZ, Federated Farmers and FOMC supported combining AVL and WoF systems. VTNZ suggested that independent testing stations could sell AVL online on their websites. However, the MTA was strongly opposed to combining WoF and AVL. AA and VINZ supported the investigation into possibly removing the licence label. However, VINZ felt that removing the label would not achieve dramatic cost savings as another mechanism would have to be installed.

MIA, VTNZ, MTA and Federated Farmers supported removing the current system and placing the costs of AVL on Fuel Excise Duty (FED) and Road User Charges (RUC). MTA suggested the option of having a split cost, with the ACC levy being paid as part of compulsory third party vehicle insurance and the portion of AVL for road maintenance being paid through FED and RUC. Federated Farmers also supported the introduction of compulsory third party vehicle insurance. They felt that the current ACC levy was not in relation to the risk of the user, and that third party vehicle insurance would help to achieve this balance. FOMC supported the exemption of caravan and trailers from the AVL regime. RTF suggested that the removing TA light trailers from the registration regime may be appropriate. However they were concerned this could lead to these trailers not being maintained adequately. The RTF felt that the current regime has advantages to commercial operators. They noted that the current "aggregation" of ACC levies, relicensing fees and transport services licensing fees provides a balance between the reflection of road use and the convenience of a single payment.

The most common suggestion from individual submitters outside of the options that were covered in the discussion document was removing AVL and placing the charge on FED and/or RUC. Submitters felt that this would be the most appropriate way of reflecting a true user pays system. The proportion of AVL that goes into paying for the roads would be reflected more accurately for drivers who travelled larger distances. Submitters also had views on how the ACC levy should be paid. There was a view expressed that ACC should be paid by drivers, not vehicles and that the ACC levy paid as part of AVL does not reflect this. Submitters questioned why ACC is paid for multiple vehicles, when each driver can only be driving one at a time. Submitters felt that the ACC levy would be better related to the risk if it reflected driver usage. Another common benefit of this idea noted by submitters was that if AVL was placed on FED and RUC it would eliminate non-compliance. People would be forced to pay their fair share of the AVL cost and the fee could not be evaded.

Compulsory third party vehicle insurance was a common theme across all areas of reform, but it was most commonly suggested as an improvement to the current AVL regime. Submitters generally felt that third party vehicle insurance should be required before AVL can be issued. Submitters suggested that this could be included as part of AVL, and Australia was referenced as a country with a system along these lines. Some submitters felt that if AVL was made more affordable, drivers would be able to have both third party insurance and AVL, and not have to choose between the two.

Another common theme was basing the AVL regime on a distance travelled system. Similar to placing AVL on FED and RUC, submitters felt that a distance based system would be more proportionate to vehicles that travel greater distances. A discount for Super Gold Card holders was also suggested with the reasoning that older drivers travel less distance and their registration should reflect this. Other alternatives to the current AVL regime included licensing a vehicle at change of ownership, or a one-off cost the first time a vehicle is registered. Paying for registration through the specifications on an individual's driver licence was also suggested as a more 'user pays' regime. These submitters suggested that a licence would be reissued annually when AVL is paid. Many submitters also commented that having AVL combined with WoF would make the process easier and would encourage compliance. These submitters felt that having two systems was unnecessary as a WoF is required before a vehicle can be registered. Some submitters felt that, especially in the case of a car bought new, AVL should be purchased for two or three years. The reasoning behind this was that a new vehicle would be unlikely to change owners in the first two or three years and so this option should be available when a car is bought.

Some submitters felt that a higher ACC levy for motorcycles is unfair, especially on people who are motorcycle enthusiasts. Some submitters felt that the view of motorcycles being involved in more accidents is incorrect. Other submitters felt that the higher ACC levy for motorcycles was a fair representation of the higher risk involved in operating these vehicles. The idea of removing trailers and light caravans from the AVL regime was generally met with a positive response. Submitters suggested that a copy of the towing vehicle registration plate could be added to the trailer or caravan in place of the current regime. Classic cars were also commonly suggested to be exempt from AVL as the amount of distance that the travelled did not justify the cost of registration.

#### *Transport officials response*

Because of the dual purpose of the annual licensing system in collecting revenue for both the transport sector and ACC, changes cannot be considered from a transport perspective alone. The reason for not including annual vehicle licensing reform options is that the Ministry of Business, Innovation and Employment (MBIE) and ACC are investigating options for the future collection of the ACC motor vehicle account levy which is the most significant part of the annual vehicle licensing transaction.

This review includes considering whether and how to better link the levy to safety risk and cost factors a driver and/or a vehicle pose. The outcome of this review may have a significant impact on the way the motor vehicle account levy is collected in the future and consequently the annual vehicle licensing system. For example, if a decision is made to

price the motor vehicle account more accurately to risk and/or cost factors related to the driver and/or vehicle, it would be difficult to do so if an average charging system such as the FED and RUC system was already in place. As a result, until the work MBIE and ACC are doing is completed, the review team is focusing on how the current annual vehicle licensing system can be improved.

In relation to submitters who expressed a desire for compulsory third party vehicle insurance, there are a number of reasons why this is not being considered further. The first and most compelling reason is that jurisdictions that require compulsory vehicle insurance do so because the vehicle insurance also includes injury and rehabilitation insurance. As New Zealand has a universal injury and rehabilitation insurance scheme through ACC, it is not necessary for people to have two forms of injury and rehabilitation insurance. Therefore, the sole purpose of implementing a compulsory vehicle insurance scheme would be to protect against property damage, which is often considered a decision best considered by the property owner.

The other reason for not requiring compulsory vehicle insurance is that there is already a high uptake of vehicle insurance in New Zealand and the majority of motorists already have a form of vehicle insurance. A number of surveys have been undertaken which suggest that New Zealand has a greater voluntary uptake of vehicle insurance than other jurisdictions such as the United Kingdom that require compulsory insurance. Therefore requiring compulsory vehicle insurance is somewhat irrelevant when most motorists already have insurance. Because of these reasons, the review team is not recommending that the annual vehicle licensing system be amended to require compulsory third party vehicle insurance.

## Transport Services Licensing (TSL) Options for Change

### Option one: remove TSL

#### *Summary*

Option one was chosen in 101 out of the 448 submissions received on TSL reform. The majority of these submissions were from individuals. Four organisations were in favour of option one, including Federated Farmers.

Federated Farmers felt that the TSL regime should be abolished. It noted that, in practice, TSL has done very little to make the sector safer and keep bad operators from transporting goods. Federated Farmers felt that the other systems in place can be used to identify and stop poor operators. They noted that, even with TSL, it is extremely difficult to bar a company from operating.

Individuals who supported option one questioned the value of the current TSL regime. Submitters felt that the TSL regime was unnecessary and that the extra level of compliance was unnecessary. Submitters also commented that option one was the simplest for operators to understand and would be easy to implement, and that the removal of the TSL regime was an example of removing regulation to better achieve outcomes. These submitters generally felt that some vehicles currently subject to TSL would still need to be regulated, but understood that there are already additional regulations in place, such as passenger endorsements, and therefore the TSL does not achieve anything above and beyond this.

A common theme from submissions in favour of option one was that the potential risks that may arise from removing TSL would be able to be managed. Submitters felt that the existing systems in place, other than TSL, will be enough to identify and discipline poor operators and that measures will still be in place to pressure bad operators to leave. It was suggested that there will always be bad operators who try and bend the rules regardless of whether the TSL regime is in place. It was also suggested that the removal of TSL would encourage the use of public transport, as the costs savings from removing TSL may be reflected in reduced passenger fees.

#### *Transport officials response*

There are a number of controls in place that regulate the safety of the commercial transport industry that would continue to operate if the TSL system were removed. Regulatory systems such as driver licensing endorsements (including fit and proper person checks for passenger and tow truck endorsements), fatigue management and vehicle inspections all operate and would continue to operate independently of the TSL system. Analysis has shown that the safety benefits directly attributed to TSL are weak.

However, TSL now fulfils a relatively strong functional role through the way it defines transport services, which other regulatory systems can use.

The TSL regime is referenced widely within primary, secondary and tertiary legislation. To remove TSL would require its many connections with other parts the regulatory framework to be rebuilt, and this could result in higher cost.

The TSL entry and exiting provisions focus on the operator of a commercial enterprise rather than the driver of a commercial vehicle. While this creates a level of complexity, research and practical experience show that the way a business is operated affects vehicle and driver safety and, in turn, the safety of other road users.

The TSL system's ability to produce a unique identifier (via the TSL number issued by the NZ Transport Agency) applied to all commercial vehicle operators and displayed on transport vehicles subject to the ORS is considered the primary advantage of the system.

For example, the identifier allows regulators, such as the NZ Transport Agency and the Police, to accurately link events involving vehicles to the responsible operator whether the operator is the registered owner of the vehicle or not. Also, it allows the regulators to monitor and target compliance activity to operators (rather than drivers) that represent different levels of risk. This reliable identifier for operators, provided by the TSL regime, was identified by the review team as being of significant importance to the function of systems such as the Operator Safety Rating System in providing information on operator performance to the public. The following alternatives to provide a unique identifier were considered:

- using a vehicle's registration number linked to ownership details in the motor vehicle register. This was discounted because as much as 20 percent of goods and passenger service vehicles are rented or there isn't a strong link between the operator and the owner. The cost of transferring liability for event data associated with these vehicles would increase costs for the NZ Transport Agency and NZ Police and transfer costs to industry, especially for companies such as TR Group
- developing a new identifier specific to OSRS. This was discounted as it is likely to be more costly than retaining TSL. These costs would arise largely from system build and implementation costs, and through additional supporting legislative changes.

While removing the TSL regime would deliver an approximate reduction of \$1.5 million annually in cost burden on the industry, it is likely that much of the savings would have to be transferred to the NZ Transport Agency and the industry in terms of linking event data to operators to maintain a viable operator rating system. This is because there will no longer be a reliable identifier to support the system.

Retaining the framework of the transport services licensing regime will maintain the ability of regulators to target activity to operators based on operator performance – good and poor. The framework will also allow the NZ Transport Agency to allocate costs to different parts of the industry depending on the risk they pose and the level of effort required to manage that risk. It also provides the potential to directly charge an operator for any targeted intervention that may be required.

Retaining the definitions of all current transport services also preserves the ability for the NZ Transport Agency to recover the costs of its regulatory management activities through annual licence fees regardless of the need for the operator of the vehicle to hold a transport service licence. It is proposed that the current \$55.00 fee will continue to be collected on each vehicle currently operated under a transport service, pending a review of the fees and charges to be completed by the Agency in 2013/14.

It is worth noting that the transport services licensing framework is well accepted by many in the industry because it is perceived as being a barrier to entry and a means to exit people, even though these functions are weak.

The cost and effort of the Agency's activities to remove unsafe operators is significant. It is proposed to work with industry to find more effective and efficient ways to manage unsafe operators and if necessary to remove them from the industry.

### **Option two: targeted management of transport services**

#### *Summary*

Option two was selected by 282 out of the 448 submissions on TSL reform. Twelve organisations submitted in favour of option two including VINZ and MTA.

VINZ and MTA were supportive of option two but questioned some aspects of how this reform would be undertaken. VINZ noted that the use of the TSL number in relation to the CoF system data transfer to ORS will need to be addressed should any changes to TSL take place. MTA suggested that the wording relating to recovery services of garages be changed to read: 'towing of vehicles directly or on a recovery trailer by operators of garages to move a vehicle to the operator's nearest premises for repair as they felt safety is the critical issue when deciding on the best method of recovering a vehicle.' MTA also noted that the TSL links heavy vehicle operators to heavy vehicles. They felt that if TSL were removed the discussion document does not indicate how this necessary connection will remain.

Individual submitters felt that TSL was in need of reform but thought some aspects of TSL are still necessary. They believe that continued TSL standards for some operators should exist but over regulating, as in the case of the current regime, should not continue. Submitters felt that since road users subject to TSL requirements are all different, a blanket licensing system should not apply to everyone. Some submitters selecting option two felt that the current system is not expensive for honest operators and helps to keep 'cowboy' operators out. Others suggested that the current system needs to be improved through audits and greater enforcement of operators involved in the transport services sector.

Submitters in favour of option two commonly suggested the different transport services that they believed should continue to be managed through a TSL and those that should be removed the regime.

A common theme from submitters was that goods operators who carry their own goods should not be subject to a TSL. These submitters felt that a private truck was subject to a 'double up' as these vehicles are required to be registered and have to comply with a TSL.

Another common theme was that passenger services need appropriate controls to ensure vehicle and passenger safety. It was noted that this sector has a great influence on public safety and should continue to be subject to a TSL. The vehicle recovery industry was another area where submitters felt a TSL should stay in place to ensure proper regulations. While these were the general themes from submitters who selected option two, all sectors that are subject to a TSL received comments in favour and against them retaining a TSL in future.

### *Transport officials response*

As discussed for option one (above) a reliable identifier for operators was identified as important to the regulatory activities of the NZ Transport Agency and the NZ Police, and to the function of systems such as the Operator Safety Rating System in providing information on operator performance to the public.

Vehicle recovery services need to continue to be subject to the TSL regime and the conditions it imposes because of the unique nature of that industry in dealing with personal property, vulnerable customers and often on private property. The proposed wording change for vehicle recovery services is not supported as this has the potential for allowing tow operators to bypass a TSL as the definition allows tow trucks to continue to collect crashed vehicles.

The transport services licensing framework is well accepted by many in the industry, and was strongly supported by the major industry organisations. Despite the weakness of some of its controls because it is perceived as being a barrier to entry and a means to exit people, even though these functions are weak.

### **Other issues raised in submissions on the TSL regime, which have not already been identified in the discussion document**

#### *Summary*

The most common alternative option to the ones presented in the discussion document was that of the status quo. The status quo was chosen in 60 of the 448 submissions received on TSL reform. Twelve organisations supported retaining the status quo, including VTNZ. The RTF, Bus and Coach Association (BCA), Rental Vehicle Association (RVA) and the NZ Taxi Federation (NZTF) supported retaining the status quo but only in regard to the particular TSL that related to their members.

RTF submitted only on the Good Service Licence (GSL) and felt that the status quo should stay in place for this licence. RTF also advocated extending the GSL requirement to cover all vehicles carrying goods for hire or reward — this would return the situation for vehicles below 6 tonne GVM to that existing prior to 2007. RTF felt that the discussion document

does not do the complex nature of the TSL regime justice and that the problems with TSL were not related to the system but arise from the regulators being reluctant to “exit individuals” and a lack of competence in improving operators’ performances. The NZTF and BCA supported the status quo for Passenger Service Licence (PSL) and RVA supported the status quo for Rental Service Licence (RSL). All three organisations submitted that there are no benefits for removal and that in this case new operators would enter the industry without meeting fit and proper criteria. The NZTF suggested that the removal of PSL would lead to the widespread industry tax avoidance which has been an issue in the past. It also noted that IRD would need to be consulted if the removal of PSL were to occur.

The RTF and BCA had positive views of the ORS. The BCA felt that the ORS is very useful in ensuring compliance but cannot be used as a substitute for TSL as the ORS is not a filtering system. RTF shared this sentiment as it suggested that the ORS could serve the same purpose but it would still need some form of entry and exit criteria to ensure public confidence. The RVA felt that rental vehicle operators should not be subject to the ORS as they are subject to other obligations. All three of these organisations felt the enforcement expectations that would be placed on police would be unreasonable if the TSL regime was removed, and that inadequate regulation of operators would follow. RTF also felt that there is already a reasonable framework of exemptions in place as part of TSL. BCA and RVA both felt that a separate TSL review should be done separately from the Vehicle Licensing Reform. They also had concerns that the removal of TSL would damage tourist confidence in the safety and integrity of the bus and coach and rental vehicle industries.

Individual submitters who were in favour of the status quo had varied reasons in support of the current TSL regimes. A popular theme in these submissions was that the proposed changes will only benefit new operators who enter the industry and not increase savings for the whole industry. Some submitters felt that a move away from the status quo would lead to bad operators re-entering the industry. Others submitters felt that the TSL number was an important feature of the regime, as it helps in the monitoring of operators.

AA and FOMC both felt that TSL should continue to apply to certain areas of the vehicle industry that currently need a TSL. FOMC felt that in future, vehicle recovery services, commercial buses and taxis should continue to be subject to the TSL regime. AA supported continued TSL for the vehicle recovery industry and for taxi operators, or membership of an approved taxi organisation. AA agrees with the statement in the discussion document that a TSL should not be required for the towing of vehicles to the nearest place of safety by roadside breakdown services, or the towing of vehicles by rural garages to the nearest place of repair.

Many themes that were evident in the submissions on TSL reform related to all or none of the proposed options or were ideas that were not already identified in the discussion document. Some submitters were in favour of TSL reform rather than a specific option. They felt that both options were a significant improvement over the current system and that major reform was necessary. Other submitters felt that the current TSL system could be improved by making the process for obtaining a TSL tighter and more robust. It was also suggested that the TSL sticker should be removed from a vehicle’s windscreen and placed on their driver’s licence.

### *Transport officials response*

The TSL System is complex. It was not practical to include all the analysis carried out on the review within the discussion document. However, this work, and subsequent analysis, informed the content of the discussion document.

The submission to have the 6,000 GVM and below GSL requirement reinstated is not supported. This requirement for all goods service vehicles carrying goods for hire or reward with a GVM of less than 6 tonnes to operate under a TSL was removed in 2007. That review analysed the crash data for these vehicles for the three years before, and three years after, this change was made. There was a slight improvement in the crash rate for the 2008 – 2010 period identified although this is based on very low numbers of crashes. However, it appears that the removal of TSL for this part of the sector did not significantly affect crash rates. Therefore, road safety was not compromised.

Goods operators who carry their own goods (non-commercial or trade vehicles) between 6 000kg and 15 000kg, where the service involves a single vehicle and is not for hire or reward (e.g. farmers and vehicles used to carry tools of trade and own goods), should not be subject to a TSL. The requirement for these vehicles to hold a TSL imposes low, but unnecessary, compliance costs on these operators. This would remove approximately 5,000 operators from the regime.

Given the previously stated benefits of TSL's role in providing a unique identifier, the potential costs of change and the general support for retaining the current system from a large part of the industry representatives, the TSL system should largely remain in place— with the exception of operators who carry their own goods. The regulatory burden that the system places on the existing industry is not great.

The potential costs and savings of continuing to include, or exclude, particular sectors are minor. The cost of removing the TSL regime altogether and having to create a new unique identifier could not be justified given the existing system that is already in place, the relatively small compliance costs and opportunities for future efficiencies. Within the framework of this system, the NZ Transport Agency intends to review the existing legislative provisions for better managing and exiting operators from transport services and the fees and charges related to each sector within the TSL regime. This will help identify potential efficiencies for the future and better target the regulatory effort to risk. With regard to the compliance burden associated with entry into the TSL regime there will also likely be further opportunities to streamline the entry system to create further efficiencies when the opportunity arises, and improve the system for exiting poor operators.