

# SUBMISSION: PROPOSED CHANGES TO LAND TRANSPORT REGULATORY FEES, CHARGES AND FUNDING

Engineering New Zealand Te Ao Rangahau (formerly IPENZ) is New Zealand's professional home for engineers. We are New Zealand's strongest and most influential voice on engineering issues, with more than 22,000 members who want to help shape the public policy agenda and engineer better lives for New Zealanders.

This submission responds to Waka Kotahi NZ Transport Agency's consultation *Proposed changes to land transport regulatory fees, charges and funding*. Thank you for the opportunity to provide comment on the proposed changes to fees.

In forming this submission, Engineering New Zealand worked with the Heavy Vehicle Engineers group, a technical group of Engineering New Zealand. This group represents most of the heavy vehicle specialist certifiers (HVSCs) regulated by Waka Kotahi. New Zealand's heavy vehicle fleet relies on these engineers for design certification work. The Heavy Vehicle Engineers group is a forum for members to support and mentor each other, share, and discuss information, lobby for changes in legislation and to work with Waka Kotahi, keeping them informed of trends and issues within the industry.

## SUMMARY

Waka Kotahi is consulting on plans to manage the costs of its regulatory services. To this end, **we support Proposal 1** (allocation of land transport revenue) and prefer that funding be sourced from land transport revenue, rather than through Proposal 6 (changes to fees and charges for motor vehicle certifier activities). We **do not support the proposed fee increases to heavy vehicle certification** as set out in Proposal 6. It is our view that the proposed fee increases are not proportionate to other fee increases and will negatively impact on industry.

In this submission we respond to Waka Kotahi's questions within Proposal 1 and Proposal 6.

It is our view that Waka Kotahi's consultation misses a significant opportunity. For over a decade the Heavy Vehicle Engineers and Engineering New Zealand have been advocating for changes to industry to support more engineers becoming certifiers, as well as ongoing support, training and development of those engineers who are heavy vehicle certifiers. As Waka Kotahi is aware, demand on heavy vehicle engineers is very high and the current system is unsustainable.

We recognise that Waka Kotahi's proposals address one very small barrier to entry to the profession, namely application fees, however they fail to address the funding needed to assure attraction and attrition to the profession. Instead, the proposals focus on strengthening regulatory functions, at a cost to industry. While we agree that regulatory functions are critical for safety, it is our view that Waka Kotahi has not gone far enough. This submission highlights our concerns and provides opportunity for continued engagement with Waka Kotahi on funding sources for the specialist heavy vehicle certifier profession.

## PROPOSAL 1

### **WE SUPPORT INCREASED FUNDING FOR REGULATORY SERVICES TO BE ALLOCATED FROM THE LAND TRANSPORT REVENUE**

Proposal 1 consults on Waka Kotahi's intent to increase its funding for specific regulatory services by either (1) an allocation of land transport revenue or (2) increasing land transport fees and charges.

In principle we support Waka Kotahi's proposal to seek further funding for its regulatory services. We agree with the premise that regulatory services are critical for safety outcomes. We note that changes to funding for regulatory services to support the heavy vehicle industry are very high compared to other services. In discussion with Waka Kotahi, we understand you have significantly increased your team supporting the heavy vehicle industry. Although we support the strengthening of this area, the proposal gives little detail about the team or value-for-money delivered by the team that justifies the significant increase in investment.

#### **Question 1A: Funding sources – land transport revenue or fee increases?**

We **agree** with Waka Kotahi's recommendation that land transport revenue allocation of up to \$20.4m be used to fund oversight regulatory services. We support this over the introduction of further fees or increases to fees (proposals 2-8).

#### **Questions 1B/C: Impact on business**

See answers to questions under Proposal 6 below.

#### **Question 1D:/E/F Allocation of costs**

We **agree** with the recommendation that land transport revenue allocation of up to \$14.8m per year be used to fund regulatory services that cannot be efficiently or fairly collected from specific user groups. To this end we do not support proposals to significantly increase specialist heavy vehicle certifier fees (see our answers to Proposal 6 below).

### **Question 1G: Recommended allocation of land transport revenue to repay rectification loans**

We **agree** with Waka Kotahi that an allocation of \$4.6m over seven years from 2023 be allocated from the land transport revenue to service rectification loans. We support Waka Kotahi's view that loan servicing to address historical underfunding should come from the wider system (land transport revenue), rather than increases charges to certifiers, for the reasons outlined on pages 23 and 24 of the consultation document.

## **PROPOSAL 6**

### **WE DO NOT AGREE WITH PROPOSED FEE INCREASES FOR HEAVY VEHICLE CERTIFICATION**

Proposal 6 outlines several proposed changes to motor vehicle certifier activity fees. This submission responds to Waka Kotahi's proposal to increase heavy vehicle certification fees, per certification, from \$5.17 to \$54.30 to cover regulatory service expense. This is a significant increase to fees, and we have serious concerns about this proposal.

#### **Question 6A: Impact on business**

With certification costs increasing, we consider the following impacts are likely, should Proposal 6 proceed:

1. The public will react negatively to cost increases to cover regulatory service expenses, and this will lead to increased avoidance of certification and a reduction in compliance.
2. Heavy vehicle specialist certifiers will be required to 'front' Waka Kotahi's decisions and explain to clients the increase to LT400 costs. This will put additional pressure on specialist certifiers.
3. As it is reasonably common for multiple LT400s to be issued for one vehicle at the same time, the cost impact is magnified. By comparison some of the other types of certification fees are only charged once per vehicle inspection (e.g. Warrant of Fitness (WoF) and Certificate of Fitness (CoF)) or only once during its normal on road life (e.g. Border Inspection).

#### **Question 6B/C: Proposed replacement of fees (as per Table 16)**

We **disagree** with the proposed replacement of application fees for specialist heavy vehicle certifiers group.

While we understand it is Waka Kotahi's intent for some of the additional funding be used to remove application fees to become a heavy vehicle certifier (making it free to apply), we do not believe this will have the intended effect. It is our view that application fees are relatively small in relation to the overall cost of training a HVSC. Often the application fee is paid for by employers, and the impact of their removal would be minimal, particularly as the downstream training of applicants has yet to be developed. Furthermore, we have concerns that removing the fee will signal a lowering of the bar for applicants and may encourage applicants who are not suitable or appropriately qualified to apply. This will use up valuable Waka Kotahi staff resource.

#### **Question 6D: How strongly to you agree or disagree with the proposed increased (Table 17)?**

Together with the Heavy Vehicle Engineers group, our views on the fees proposed (Table 17) are as follows:

Increased charges	
In Service WoF	Agree
Border Inspection Organisation	Agree
Entry Certifier's Group	Agree
Specialist heavy vehicle certifiers group (per certification)	Disagree
Specialist Low Volume Certifiers' Group	Disagree
Repair Certifiers	Disagree

We are significantly concerned about the proposed fee increases to the specialist heavy vehicle certifiers group fees per certification. As highlighted above, we do not understand Waka Kotahi's justification for increasing the fee from \$5.17 to \$47.38 or \$54.30 (depending on if Proposal 1 proceeds) to cover regulatory service expenses. Our view is that this will negatively impact on the heavy vehicle certification industry and may have long-term consequences on public safety (see answer to quest 6A above).

#### **Question 6E: Proposals to increase charges for in-service certifier group warrant of fitness**

We **agree** with this proposal. In principle, we support increases in funding from warrants of fitness and certificates of fitness, as well as one-off inspection fees, such as border inspections fees. We do not support large increases in funding through certification services, especially those that may be applied multiple times per vehicle or per inspection. The proposed fee increase for specialist and repair certifications are not proportionate to the size of the jobs.

#### **Question 6F/G: Decreases to certifier group CoF fees (Table 18)**

We **strongly disagree** with the proposed decrease in fees proposed in Table 18.

It is our view that the collection of CoF fees is an effective means of collecting funding. CoF fees are a small cost per individual CoF and given the large volumes of CoF inspections per year, an effective opportunity to generate funding. The public and commercial operators are unlikely to object if current CoF fees are kept at the current level and the financial impact on these operators is negligible.

Maintaining the current CoF cost would provide a significant funding boost to the sector with a minimal cost per vehicle inspection. It is unlikely the small reduction in CoF fees will be passed on to road-users. We do not support subsidising privately owned inspection providers when the rest of the industry is subjected to fee increases.

#### **Question 6H: Additional comments**

Overall, we support the collection of additional funds to enable required regulatory functions. However, we disagree with the distribution of certification fee increases as set out in the current proposal for collecting these funds and ask that Waka Kotahi revisit these proposals.

# FURTHER SUPPORT IS NEEDED

Waka Kotahi's future vision of success for specialist certifiers remains unclear. We acknowledge the important work getting underway – to establish a vocational pathway, supported by consistent knowledge assets and training aligned with regulatory specifications – but this is only in pre-implementation stages, and a sustained effort and long-term strategy is needed to future-proof the profession and invest in quality improvement initiatives that address historic and systemic failures around the way we are regulated. Clarity is needed about how increased investment will support a successful future state for specialist certifiers. Further information from Waka Kotahi on this would be welcome.

Attached to this document is the heavy vehicle engineer certification solution design work commissioned by Waka Kotahi in 2020. In the paper, we outlined for Waka Kotahi the need to:

1. Promote the heavy vehicle engineering industry to entice more people into the sector.
2. Strengthen the ongoing professional development of certifiers.
3. Increase the effectiveness of the mentoring programme.
4. Provide the applicant with a clear pathway through the process of becoming a certified inspector.
5. Streamline the entire process and costs associated with becoming certified.

We are disappointed to note that the proposals we are responding to in this consultation do not set out a secure funding stream to resolve the points above. These were specific workstreams that Waka Kotahi identified in 2019 as needing to be addressed, and we agree they are necessary. We would like to discuss options for increasing funding for the industry within the scope of Waka Kotahi's current proposals.

We must endeavour, wherever possible, to ensure the long-term sustainability of the heavy vehicle specialist certification industry. We are available at your convenience to meet and plan a way forward. This is a matter of urgency for all parties involved.

## CONCLUSION

Thank you for the opportunity to respond to Waka Kotahi's consultation document *Proposed changes to land transport regulatory fees, charges and funding*. This submission was drafted together with our Heavy Vehicle Certifiers group. Collectively, we support funding for Waka Kotahi's regulatory services to come from land transport revenue. Where this is not possible, we support funding to be sourced through proportionate increases to some fees across the transport system, as detailed above in our answers under Proposal 6 above.

We are disappointed that Waka Kotahi's fees and funding review has not addressed our need to secure long-term funding for the sustainability of the specialist heavy vehicle certifying industry. We ask to meet with Waka Kotahi to discuss options for long-term funding in this area.