



REGIONAL FUEL TAX FIRST QUARTER REPORT

1 July – 30 September 2018

NZ TRANSPORT AGENCY

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OVERVIEW

A regional fuel tax (RFT) scheme (the scheme) was implemented on 1 July 2018 for the Auckland region, excluding Great Barrier Island (the scheme area). The purpose of the RFT is to enable additional investment for transport projects in the Auckland region as set out in Auckland Council's RFT proposal that was approved by the Minister of Transport and the Minister of Finance.

RFT is charged at a rate of 10 cents per litre (plus GST) on petrol and diesel (including their bio-variants). The New Zealand Transport Agency (the Transport Agency) administers the collection of RFT directly from fuel distributors (also known as 'taxpayers') and forwards the tax collected on to Auckland Council, less any rebates paid and service cost. This includes, but isn't limited to, deliveries to service stations, fuel storage tanks, machines, marinas and vehicles.

This report covers the Transport Agency's quarterly reporting requirement under section 65Y(3) of the Land Transport Management Act 2003 (LTMA). The Transport Agency is required to report to the Minister on a quarterly basis and publish this information online. This is the first quarterly report since the scheme was implemented and the Transport Agency is still developing a reporting framework, so changes may be evident in future quarterly reports.

RFT Quarterly reporting periods for 2018/19 financial year:

- Q1 2018/19: 1 July – 30 September
- Q2 2018/19: 1 October – 31 December
- Q3 2018/19: 1 January – 31 March
- Q4 2018/19: 1 April – 30 June

EXECUTIVE SUMMARY

This section sets out a high-level summary of the findings in this report.

- Traditionally, Auckland has had lower fuel prices than most of the rest of the country.
- This has been for a number of reasons, including economies of scale and competition in the Auckland market.
- In the quarter from 1 April to 30 June 2018, before the regional fuel tax was introduced, median prices in the Auckland region for 91 octane petrol were four cents less per litre than the rest of the country.
- In the quarter following the introduction of RFT (1 July to 30 September 2018) the median fuel prices in the scheme area were 5.5 cents higher than the rest of the country for 91 octane petrol.
- Prices across the country differ, and some are still higher – and lower – than in the scheme area.

VOLUME OF FUEL DELIVERED INSIDE AND OUTSIDE THE SCHEME AREA

Under section 65Y(3)(a) of the LTMA the Transport Agency is required to report changes in the volume of fuel supplied inside and outside of the RFT region.

Fuel delivered inside the scheme

The quarterly data for the volume of fuel delivered inside the scheme is collected from regional fuel taxpayers' monthly returns, which are a requirement under section 65V of the LTMA. Due to legislative requirements and internal processing timeframes, this data is available the month following the end of the quarter. The quarterly totals for petrol and diesel in Table 1 include all fuel delivered within the Auckland scheme area, this includes all fuel delivered within the Auckland scheme area, whether or not it was liable for RFT (except for fuel exported to the Pacific Islands).

To accurately observe change requires comparable baseline data before the scheme took effect. Unfortunately, fuel distribution volumes were not recorded prior to the implementation of the scheme. The baseline data is collected from Auckland Council's Local Authority Fuel Tax (LAFT) and represents a wider geographical area than the scheme area – fuel sold within the Auckland region (including Great Barrier Island) throughout the previous quarter 1 April to 30 June 2018. The data is not directly comparable to the quarterly data for fuel volume delivered inside the scheme area.

As this is the first RFT quarterly report and the baseline data is not sufficiently comparable, changes in volume of fuel delivered in the scheme area cannot be observed. The Transport Agency is committed to display the volume of fuel delivered inside the scheme area trends within the next RFT quarterly report.

Table 1 – Fuel volumes inside the scheme area

Quarter	Total volume inside the scheme area (million litres)	
	Petrol	Diesel
Baseline (Auckland Region) Q4 2017/18 <i>1 Apr–30 Jun 2018</i>	269.15	175.80
Quarter 1 (RFT Auckland scheme area) Q1 2018/19 <i>1 Jul–30 Sep 2018</i>	261.32	190.70

Note: The data for the baseline (fuel sold) and quarter 1 (fuel delivered) is derived from different sources. The fuel volumes include both petrol and diesel (including bio-fuels and ethanol portions).

Fuel delivered outside the scheme

The quarterly and baseline data for fuel volumes outside the scheme is collected by other government organisations for the whole of New Zealand. To approximate the volume of petrol and diesel fuel distributed outside the region, the Transport Agency must subtract the Auckland scheme area volumes from the total volumes for the entire country. The reported volume includes fuel imports, refining volumes (not exported out of the country) and stock change. The baseline data is calculated similarly, but subtracts the LAFT volume sold within the Auckland region (including Great Barrier Island), meaning the baseline is not directly comparable.

Due to the complexities of how this information is collected, there is a significant delay in obtaining data for our quarterly reporting. Since the volume data is delayed and the Transport Agency is committed to providing this report in a timely manner, fuel volume outside the Auckland scheme area will be reported one quarter in arrears for all RFT quarterly reports.

This means the Transport Agency will report volume data from 1 July – 30 September in the next RFT quarterly report.

Table 2 – Fuel volumes outside the scheme area

Quarter	Total volume inside the scheme area (million litres)	
	Petrol	Diesel
Baseline Q4 2017/18 <i>1 Apr–30 Jun 2018</i>	486.64	788.84

Note: This information is provided by other government and fuel distribution organisations and reported one quarter in arrears. The quarter 1 (1 July – 30 September 2018) data will be included in the next quarterly report. The fuel volumes include both petrol and diesel (including bio-fuels and ethanol portions).

FUEL PRICES INSIDE AND OUTSIDE THE AREA

Under section 65Y(3)(b) of the LTMA the Transport Agency is required to report fuel prices inside and outside the Auckland scheme area. To meet this obligation, the Transport Agency had to identify a fuel price reporting source in New Zealand. To identify an appropriate data source, the Transport Agency used standard procurement processes and Datamine, a third-party provider, was determined to be the most appropriate supplier of fuel price data for this report.

Datamine information is publicly sourced, cleansed and aggregated through robust statistical methodologies prior to the Transport Agency receiving it. This means the final quality of the dataset cannot be quantified by the Transport Agency. The price observations are based on 'board prices', which that means discounts from individual service stations are included but customer promotions (ie discount vouchers) are excluded from the dataset.

Table 3: Median fuel prices by region (*NZD cents per litre*)

Region	Baseline				Q1 2018/19			
	(1–30 June 2018)				(1 July–30 September 2018)			
Fuel type	91	95	98	Diesel	91	95	98	Diesel
Auckland	207.90	222.90	226.90	138.90	225.40	240.40	244.40	156.80
Average outside scheme area	211.90	222.90	226.90	142.90	219.90	230.90	237.90	149.90
Bay of Plenty	206.70	220.90	222.70	135.90	210.90	227.90	226.90	141.90
Canterbury	219.90	226.90	236.90	152.90	224.90	233.90	242.90	163.90
Gisborne	208.00	221.90	227.90	136.90	214.90	226.90	236.90	145.90
Hawke's Bay	205.90	217.90	217.70	135.90	215.90	227.90	229.70	142.10
Manawatu-Whanganui	205.90	219.90	228.70	134.90	210.90	224.90	238.90	141.90
Marlborough	219.90	226.90	235.90	151.90	224.90	232.90	238.90	160.90
Nelson	221.90	230.90	238.90	157.90	229.90	233.90	246.90	163.90
Northland	212.70	221.90	217.70	141.90	217.90	228.90	224.70	147.90
Otago	219.90	224.90	234.90	152.90	228.90	233.90	246.90	163.90
Southland	213.90	219.90		143.90	221.90	229.90		153.90
Taranaki	201.90	214.90	218.70	132.50	206.90	220.90	220.90	139.70
Tasman	219.40	223.90	239.90	152.90	225.90	231.90	241.90	160.90
Waikato	207.90	221.00	224.70	136.90	211.90	226.90	228.70	141.90
Wellington	215.90	226.90	236.90	148.90	223.90	234.90	244.90	160.90
West Coast	223.90	228.90	251.90	155.90	230.00	238.90		168.90

Note: Datamine has aggregated the median prices on our behalf by quarter, region, and fuel type.

Table 4 – Fuel price range by region for Q1 July 1 – 30 September (NZD cents per litre)

Fuel type	91			95			98			Diesel		
Region	Lowest	Mean	Highest	Lowest	Mean	Highest	Lowest	Mean	Highest	Lowest	Mean	Highest
Auckland	204.70	225.40	246.40	218.50	240.40	262.10	213.10	244.40	276.40	132.50	156.80	182.00
Overall outside scheme area	188.40	219.90	251.90	205.00	230.90	257.60	196.90	237.90	272.70	110.70	149.90	195.00
Bay of Plenty	192.90	210.90	228.00	206.80	227.90	247.70	194.90	226.90	263.20	121.90	141.90	160.50
Canterbury	205.20	224.90	249.70	214.00	233.90	257.00	224.40	242.90	264.90	130.40	163.90	197.00
Gisborne	187.60	214.90	241.10	185.50	226.90	263.20	233.70	236.90	242.60	115.20	145.90	174.90
Hawke's Bay	199.40	215.90	230.70	203.60	227.90	249.10	198.90	229.70	265.40	128.30	142.10	157.10
Manawatu-Wanganui	193.80	210.90	229.90	204.90	224.90	247.40	201.70	238.90	271.80	124.60	141.90	158.70
Marlborough	206.90	224.90	246.10	219.00	232.90	248.40	235.90	238.90	243.80	138.70	160.90	186.80
Nelson	208.70	229.90	250.00	218.70	233.90	251.60	226.50	246.90	266.10	134.90	163.90	195.60
Northland	191.10	217.90	247.60	207.70	228.90	250.40	210.60	224.70	238.40	119.30	147.90	179.10
Otago	203.20	228.90	255.20	209.90	233.90	260.80	222.00	246.90	273.80	126.40	163.90	200.20
Southland	201.00	221.90	244.90	201.50	229.90	255.90				117.70	153.90	191.20
Taranaki	189.00	206.90	224.80	197.50	220.90	247.70	184.40	220.90	269.20	121.30	139.70	157.20
Tasman	204.40	225.90	249.50	214.80	231.90	248.90	231.10	241.90	255.90	131.40	160.90	193.90
Waikato	191.90	211.90	232.20	205.80	226.90	248.60	195.90	228.70	264.40	118.10	141.90	165.90
Wellington	203.10	223.90	246.80	214.60	234.90	257.70	221.60	244.90	268.40	132.20	160.90	190.60
West Coast	203.40	230.00	261.90	211.10	238.90	267.30				125.60	168.90	212.40

Note: Blank cells indicate no prices were observed. Datamine provides median prices aggregated across each quarter, region and fuel type.

Figure 1 depicts the difference between scheme area fuel prices and the average fuel price nationally outside the scheme area. The baseline shows that historically (April–June 2018) the average fuel prices outside of the Auckland scheme area were higher for 91 octane petrol and diesel, and the same for premium petrol. The quarter 1 July – 30 September 2018 compares average prices inside and outside the scheme area after its implementation.

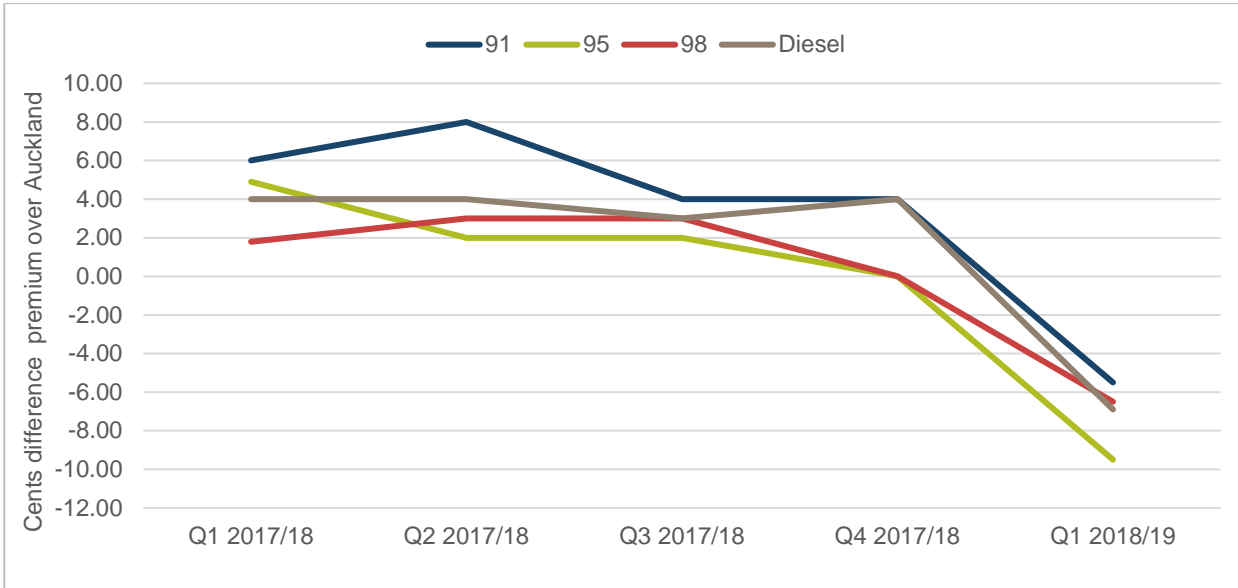


Figure 1 – Price difference between fuel inside and outside of the scheme area (raw figures)

Figure 2 displays the difference between average fuel prices inside and outside the scheme for 91, 95, 98, and diesel fuels when adjusting out the expected 11.5c impact arising from introducing RFT.

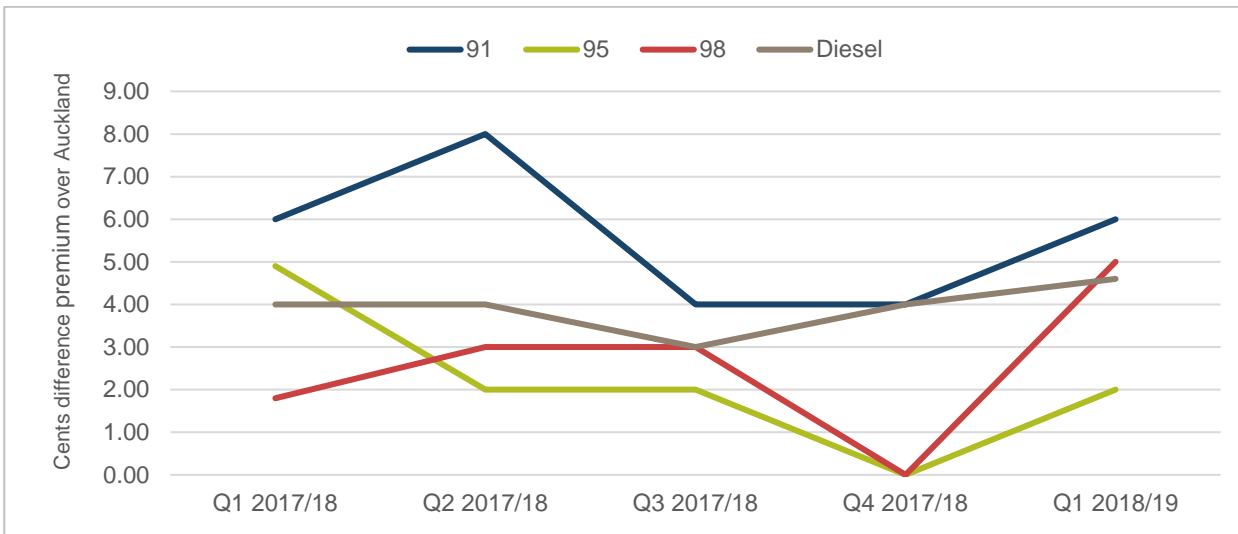


Figure 2 – Price difference between fuel inside and outside the scheme area (adjusted figures)

Figure 3 illustrates the difference between 91 petrol fuel prices in the scheme area and other regions. The graph shows the regions bordering the scheme area, as they are likely to be affected by price differences; Wellington; the remainder of the North Island; and the South Island. On average, before the RFT scheme took effect, the average prices in Northland, Wellington, and South Island were higher than in Auckland, but were the same as Auckland in Waikato, and lower than Auckland in the Bay of Plenty and remainder of the North Island. Once the scheme took effect, only the average price in the South Island remained slightly higher than in Auckland.

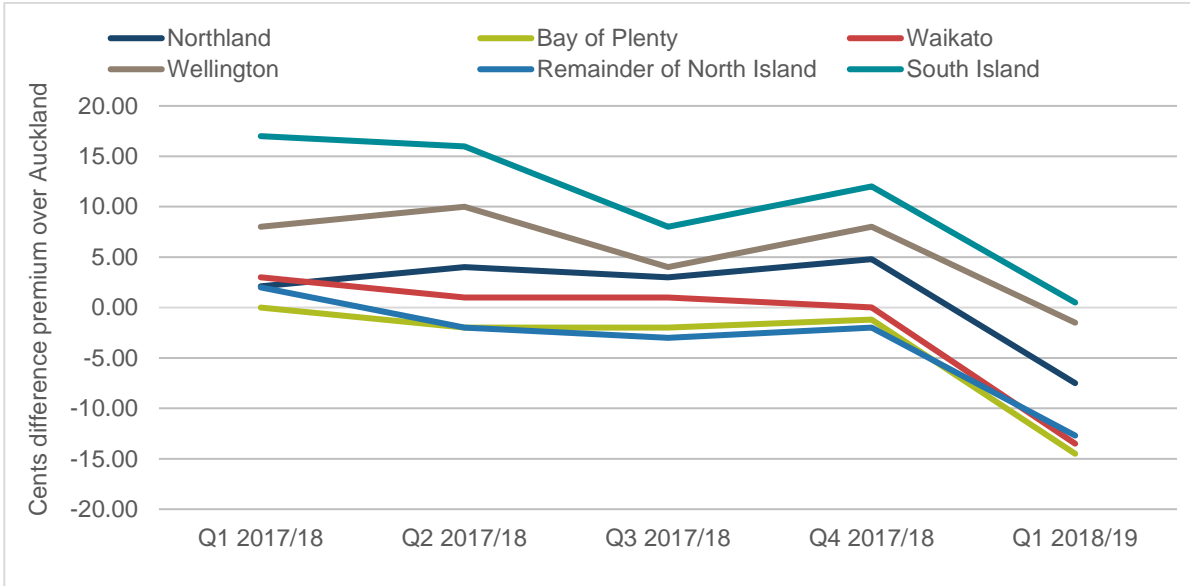


Figure 3 – Price differences between scheme area and other regions (raw figures)

Figure 4 represents the difference between average fuel prices inside and outside of the scheme area for 91 octane petrol in various regions when adjusting out the expected 11.5c impact arising from the introduction of RFT.

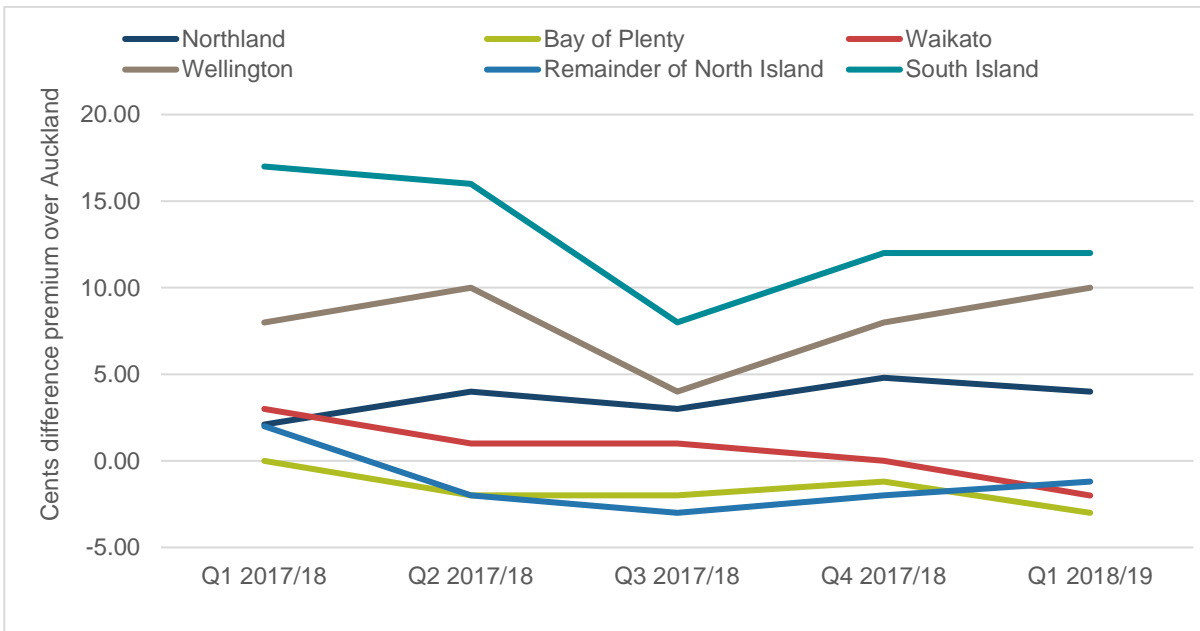


Figure 4 – Price differences between scheme area and other regions (adjusted figures)

COMPLIANCE CHECKS

Under section 65Y3(c) and (d) the Transport Agency must report non-compliance to the RFT scheme and also the avoidance of RFT.

As a first point of non-compliance checks, The Transport Agency has developed assessment processes for RFT revenue collection and rebates. In addition, the Transport Agency is developing an RFT compliance framework for audit investigations. These audit investigations are to identify avoidance of RFT and non-compliance within the Auckland RFT scheme. The development of this framework sits within a larger review of the Transport Agency's regulatory functions.

The following activities are assessed and subject to audit investigations for non-compliance and avoidance of RFT:

Site exemptions (sites exempt from paying RFT)

This includes site inspections, reports and recommendations upon customer applications for site exemptions, and the renewal/amendment of an approved exempted site.

- Audit frequency: As required (referred through RFT assessments or chosen at random)

Scheduled/unscheduled taxpayer (fuel distributor) audits

This includes audits of all regional fuel taxpayer's record-keeping systems and their compliance in reporting and paying RFT.

- Audit frequency: Two proposed audits in December 2018, followed by two audits per month from February – June 2019. As required (referred through RFT assessment processes)

Rebate claim audits

This includes targeted and ad-hoc audits of rebate customers' RFT rebate claims.

- Audit frequency: As required (referred through RFT assessment processes).

Bureau audits

Bureaus are organisations who file rebate claims on behalf of another entity (customer) for a profit. Bureaus must undergo an audit of their internal processes and systems upon entering into a service agreement with the Transport Agency. Bureaus are also subject to on-going regular audits to evaluate compliance and remediation of any issues identified. This may include audits of rebate claims submitted.

- Audit frequency: Proposed scheduled audits of all bureaus before 30 June 2019 and as required (referred through RFT assessment processes).

Table 5 outlines the non-compliant and tax avoidance activities detected over the 1 July – 30 September quarter.

Table 5 – Activity of non-compliance and tax avoidance (1 July – 30 September 2018)

Quarter	Non-compliance	Avoidance
Q1 (Jul–Sep)	One non-compliant activity was detected over the July regional fuel tax return period, resulting in a late payment of tax penalty. The late payment was followed up by the Transport Agency and was rectified the following business day.	At this stage there is no evidence of RFT avoidance.

DEFINITIONS

The following definitions are the Transport Agency's interpretation of non-compliance and avoidance when specifically referring to section 65Y3(c) and (d).

- **Non-compliance:** includes any act or omission by any person subject to obligations under an RFT scheme that results in the person failing to comply with any of their obligations under the RFT provisions of the Land Transport Management Act 2003.
- **Avoidance:** includes any act or omission by any person subject to obligations under an RFT scheme that results in the person avoiding (or attempting to avoid) RFT, where the Transport Agency considers on reasonable grounds that the act or omission was deliberate or fraudulent in nature.