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# **REGIONAL FUEL TAX SECOND QUARTER REPORT**

01 October– 31 December 2019

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) when first delivered to locations such as service stations, commercial fuel storage tanks, machines, marinas and vehicles inside the Auckland region. The New Zealand Transport Agency administers the collection of RFT directly from fuel distributors (also known as 'taxpayers') and forwards the tax collected to Auckland Council, less any rebates paid and service cost.

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.

RFT Quarterly reporting periods for 2019/20 financial year are:

- Q1 2019/20: 1 July – 30 September
- Q2 2019/20: 1 October – 31 December
- Q3 2019/20: 1 January – 31 March
- Q4 2019/20: 1 April – 30 June

# EXECUTIVE SUMMARY

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

- The petrol volume within the scheme area for Q2 2019/20 has increased against petrol volumes for the previous three quarters but is still not as high as Q2 2018/19. Diesel volumes distributed within the scheme area for Q2 2019/20 are the highest reported volumes. These volumes are also higher than volumes reported in Q3 2018/19 and against baseline (Q4 2017/18).
- The volume of petrol outside the scheme area increased in Q1 2019/20 (latest quarter where data is available) compared to previous quarters but is still not as high as petrol volumes reported in Q1 2018/19. Diesel volumes outside the scheme areas continue to decrease against baseline.
- Median prices inside the scheme area for 91 octane petrol have increased this quarter by 17 cents compared to Q4 2017/18.
- Median prices outside the scheme area for 91 octane petrol have increased since Q4 2017/18 by two cents per litre.
- Fuel prices continue to differ across the country. Fuel prices in Wellington continue to remain high against other regions (noting that there were insufficient price observations for the West Coast for Q2). The West Coast has consistently been one of the more expensive regions.
- One exempt site was referred for inspection during Q2 2019/20 and granted approval. Three existing exempt sites were granted renewal. All RFT penalties issued in Q1 2019/20 have been paid.

## 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, whether or not it was liable for RFT (except for fuel exported to the Pacific Islands).

To accurately observe changes to fuel and diesel volumes before the RFT scheme took effect requires comparable baseline data. Historical Baseline data is was collected from Auckland Council's Local Authority Fuel Tax (LAFT) returns to calculate an approximate baseline for fuel and diesel volumes prior to the implementation of the RFT scheme. It should be noted that the Auckland LAFT geographical area differs to the geographical area covered by the RFT scheme area as LAFT returns for fuel sold within the Auckland region includes Great Barrier Island. Since the baseline data is not sufficiently directly comparable, Figure 1 represents an approximate change in the volume of fuel delivered in the Auckland RFT scheme area against baseline.

**Table 1 – Fuel volumes inside the scheme area**

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

Quarter 2 (RFT Auckland scheme area) 280.11 223.14  
 Q2 2018/19: 1 Oct–31 Dec 2018

Quarter 3 (RFT Auckland scheme area) 269.16 226.21  
 Q3 2018/19: 1 Jan–31 Mar 2019

Quarter 4 (RFT Auckland scheme area) 266.57 215.16  
 Q4 2018/19: 1 Apr–30 Jun 2019

Quarter 1 (RFT Auckland scheme area) 264.69 204.29  
 Q1 2019/20: 1 Jul–30 Sep 2019

Quarter 2 (RFT Auckland scheme area) 277.34 229.24  
 Q2 2019/20: 1 Oct–31 Dec 2019

Note: The data for the baseline (fuel sold) and quarter 2 2019/20 (fuel delivered) is derived from different sources. The fuel volumes include both petrol and diesel (including bio-fuels and ethanol portions).

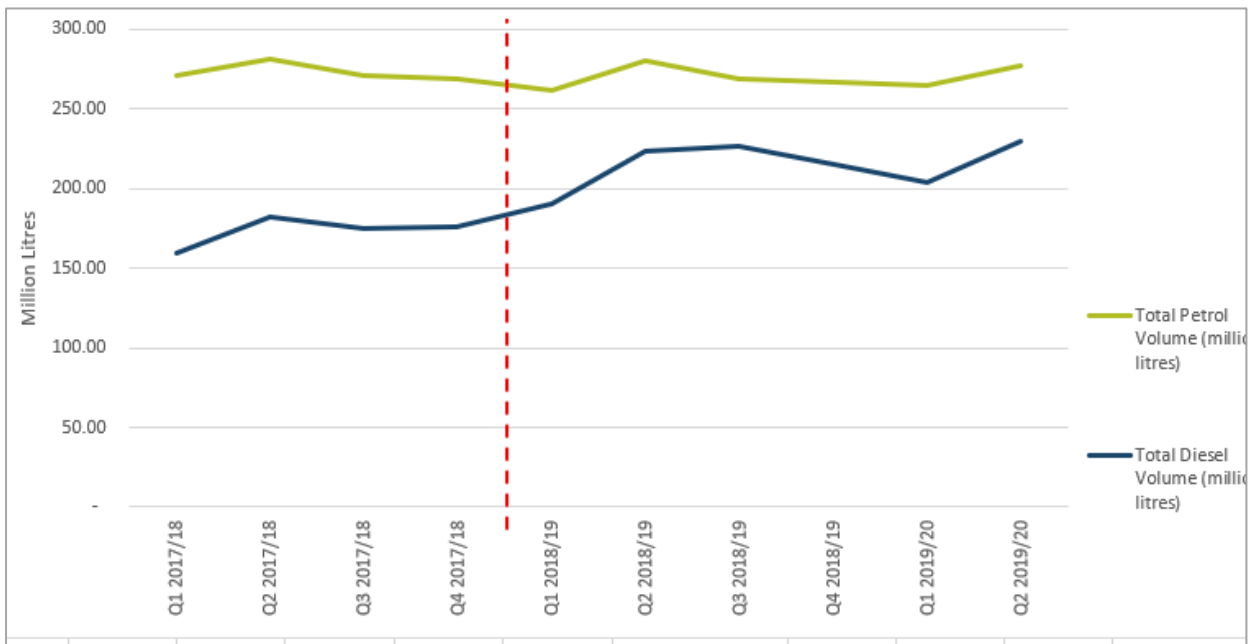


Figure 1 – Change in fuel volume inside the scheme area

## 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 scheme area, the Transport Agency must subtract the 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.

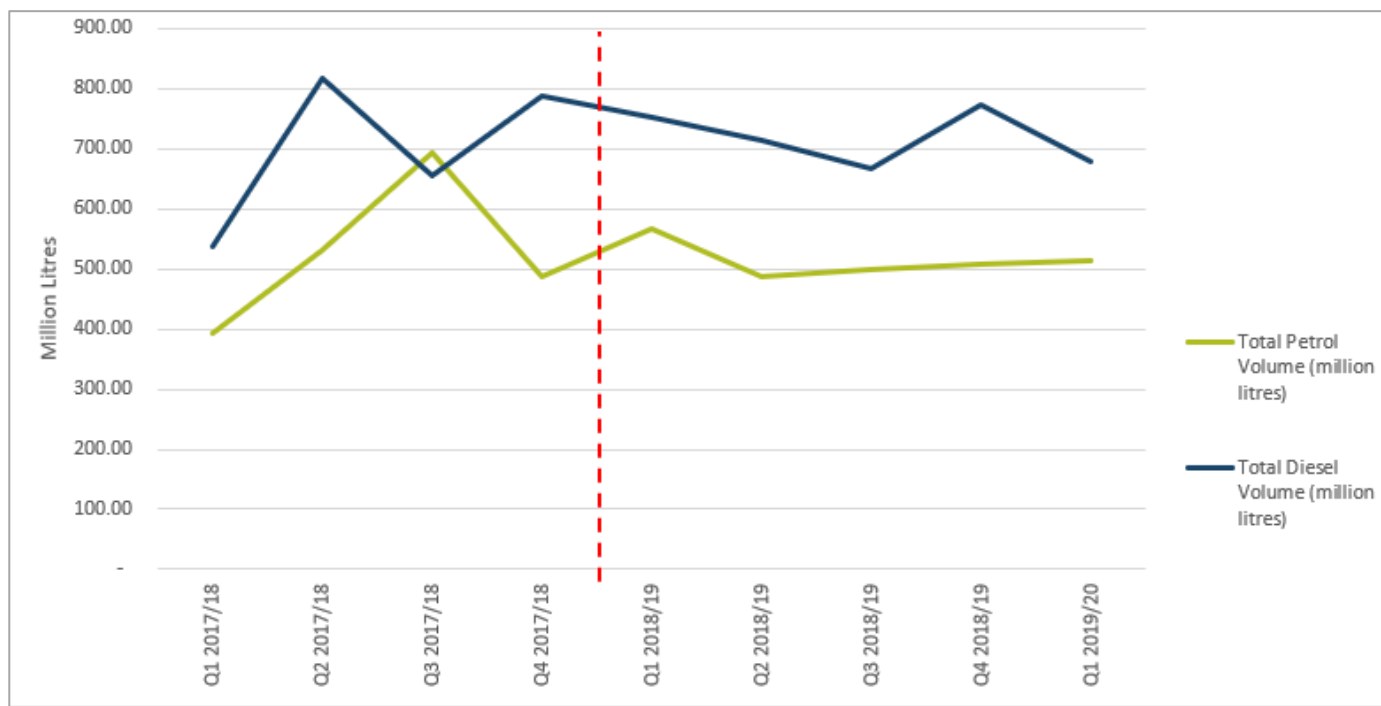
Due to the complexities of how this information is collected, there is a significant delay in obtaining data for quarterly reporting. Since the volume data is delayed and the Transport Agency is

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.

**Table 2 – Fuel volumes outside the scheme area**

Quarter	Total volume outside the scheme area (million litres)	
	Petrol	Diesel
Baseline Q4 2017/18: 1 Apr–30 Jun 2018	486.64	788.84
Q1 2018/19: 1 Jul–30 Sep 2019	566.68	752.09
Q2 2018/19: 1 Oct – 31 Dec 2019	488.58	714.09
Q3 2018/19: 1 Jan – 31 Mar 2019	498.48	666.67
Q4 2018/19: 1 Apr – 30 Jun 2019	507.69	777.62
Q1 2019/20: 1 Jul–30 Sep 2019	514.35	678.08

Note: This information is provided by other government and fuel distribution organisations and reported one quarter in arrears. The fuel volumes include both petrol and diesel (including bio-fuels and ethanol portions).



**Figure 2 – Change in fuel volume outside the scheme area**

## FUEL PRICES INSIDE AND OUTSIDE THE AREA

Under section 65Y(3)(b) of the LTMA, the Transport Agency is required to report information on fuel prices inside and outside the scheme area. To meet this obligation, the Transport Agency had to identify a source for fuel price reporting in New Zealand. 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 being provided to the Transport Agency. This means the final quality of the dataset cannot be quantified by the Transport Agency. The price observations are based on 'board prices', which means discounts from individual service stations are included but customer promotions (eg discount vouchers and loyalty schemes) are excluded from the dataset.

**Table 3 – Average fuel prices by region (NZD cents per litre)**

Region	Baseline (1 April – 30 June 2018)				Q1 2019/20 (1 July – 30 September 2019)				
	Fuel type	91	95	98	Diesel	91	95	98	Diesel
<b>Auckland</b>		207.90	222.90	226.90	138.90	224.90	239.90	251.90	154.90
<b>Average outside scheme area</b>		211.90	222.90	226.90	142.90	213.90	228.90	241.40	140.90
Bay of Plenty		206.70	220.90	222.70	135.90	212.90	227.90	242.40	142.90
Canterbury		219.90	226.90	236.90	152.90	211.90	225.90	250.90	133.90
Gisborne		208.00	221.90	227.90	136.90	208.70			
Hawke's Bay		205.90	217.90	217.70	135.90	209.90	221.90	218.70	135.90
Manawatu-Whanganui		205.90	219.90	228.70	134.90	214.90	230.90	233.70	142.90
Marlborough		219.90	226.90	235.90	151.90	215.90	228.90	241.90	144.90
Nelson		221.90	230.90	238.90	157.90	207.90	222.90		136.90
Northland		212.70	221.90	217.70	141.90	215.90	232.90	224.70	145.90
Otago		219.90	224.90	234.90	152.90	218.90	223.90	251.90	140.90
Southland		213.90	219.90		143.90	217.90	226.90		138.90
Taranaki		201.90	214.90	218.70	132.50	213.90	228.90		142.90
Tasman		219.40	223.90	239.90	152.90	212.90			140.90
Waikato		207.90	221.00	224.70	136.90	212.90	226.90	241.90	141.90
Wellington		215.90	226.90	236.90	148.90	230.90	243.90	251.90	158.90
West Coast		223.90	228.90	251.90	155.90				161.90

Note: The fuel prices for 91, 95 and 98 octane petrol are recorded where available, and the blank cells indicate no prices were observed.

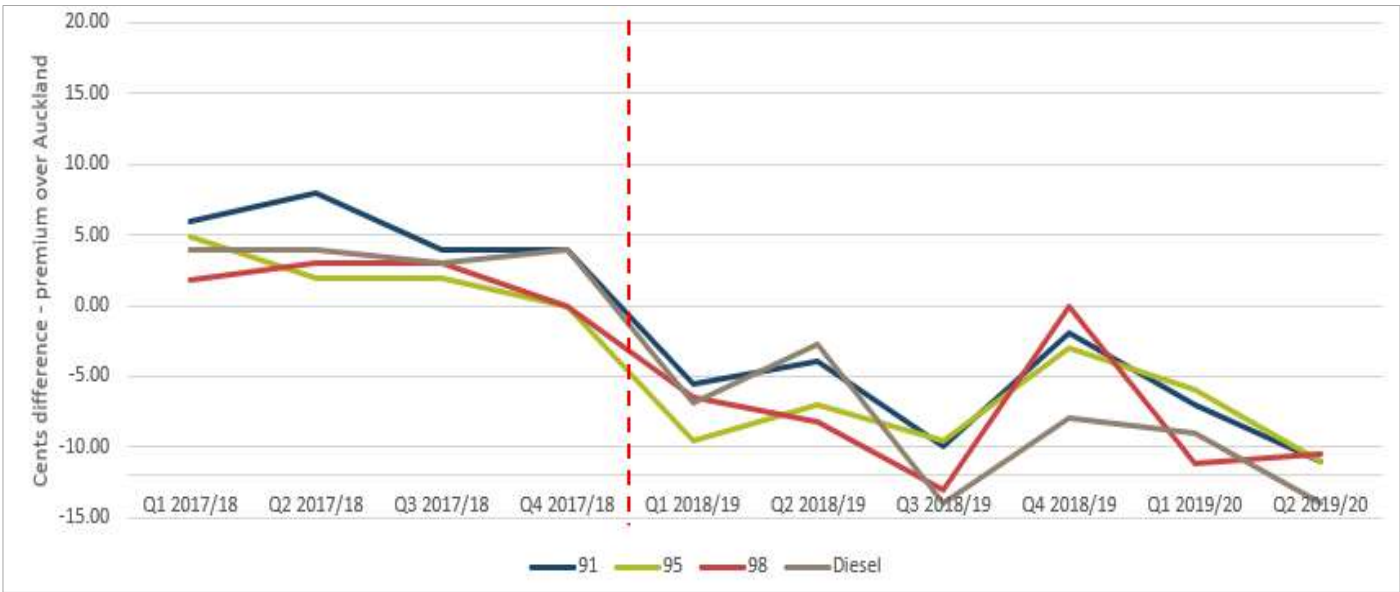


**Table 4 – Fuel price range by region for Q2 1 October – 31 December 2019 (NZD cents per litre)**

Fuel type Region	91			95			98			Diesel		
	Lowest	Median	Highest	Lowest	Median	Highest	Lowest	Median	Highest	Lowest	Median	Highest
<b>Auckland</b>	204.20	224.90	247.20	215.50	239.90	269.20	211.50	251.90	290.50	126.50	154.90	186.10
<b>Overall outside scheme area</b>	185.30	213.90	246.80	198.90	228.90	263.60	194.20	241.40	283.50	109.10	140.90	175.10
Bay of Plenty	189.80	212.90	232.30	201.20	227.90	257.60	189.20	242.40	286.40	125.00	142.90	159.50
Canterbury	187.10	211.90	241.80	198.20	225.90	258.30	209.90	250.90	279.40	111.00	133.90	158.50
Gisborne	188.80	208.70	225.10									
Hawke's Bay	185.50	209.90	234.80	199.10	221.90	243.80	194.70	218.70	244.20	100.50	135.90	172.60
Manawatu-Wanganui	192.50	214.90	236.40	210.70	230.90	257.60	196.70	233.70	275.00	121.30	142.90	163.10
Marlborough	195.20	215.90	233.40	199.90	228.90	256.10	221.10	241.90	269.00	127.40	144.90	161.00
Nelson	195.70	207.90	219.60	204.50	222.90	244.30				122.10	136.90	153.70
Northland	189.30	215.90	244.40	213.10	232.90	250.00	214.00	224.70	235.50	107.20	145.90	186.30
Otago	187.50	218.90	255.90	191.80	223.90	262.90	217.80	251.90	280.70	104.80	140.90	186.40
Southland	188.90	217.90	243.80	172.30	226.90	273.50				113.70	138.90	168.30
Taranaki	201.10	213.90	226.90	215.80	228.90	240.90				126.60	142.90	158.50
Tasman	200.20	212.90	224.70							116.20	140.90	168.10
Waikato	191.50	212.90	234.20	198.00	226.90	259.50	195.70	241.90	282.10	116.60	141.90	167.80
Wellington	201.50	230.90	257.70	220.30	243.90	266.30	232.40	251.90	267.50	125.80	158.90	188.50
West Coast										98.80	161.90	210.30

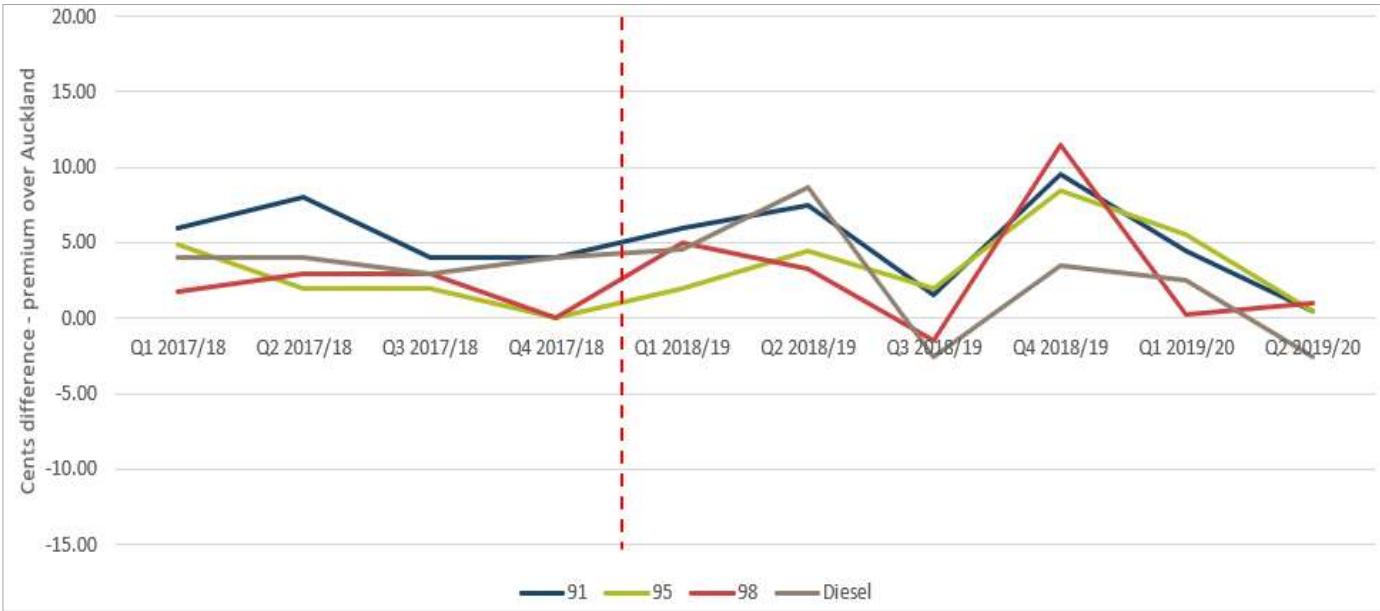
Note: Blank cells indicate no prices were observed.

Figure 3 shows 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 median fuel prices outside of the scheme area were higher for all 91-octane petrol and diesel and the same for premium petrol. This report compares average prices inside and outside the scheme area after its implementation.



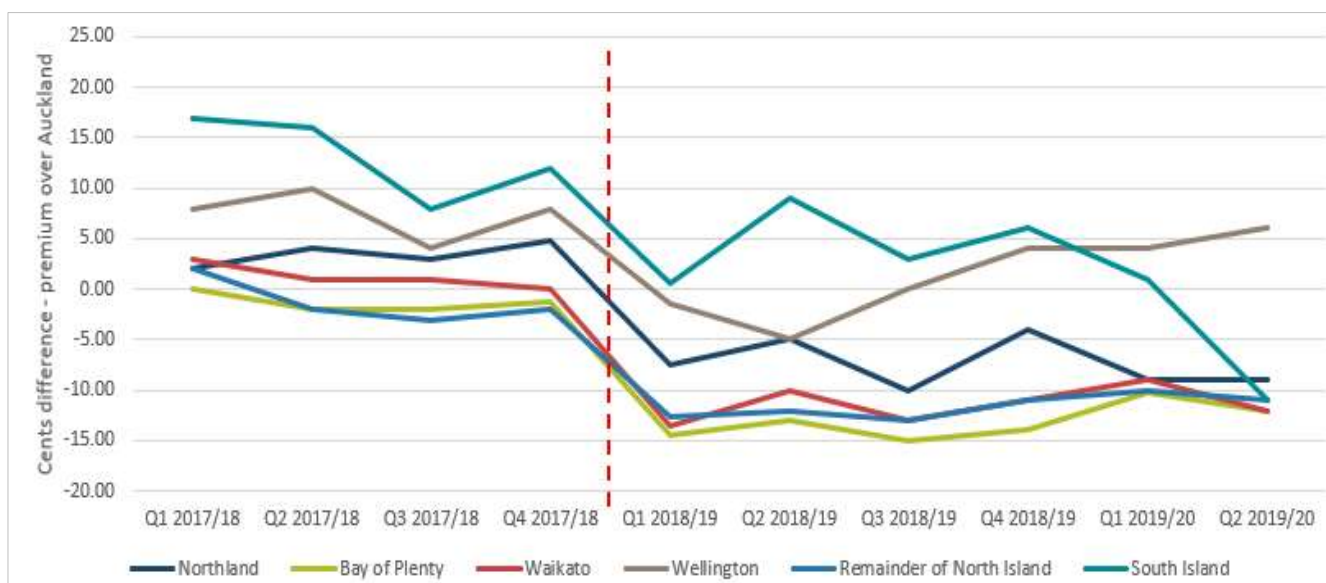
**Figure 3 – Price difference between fuel inside and outside of the scheme area (raw figures)**

Figure 4 shows 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.



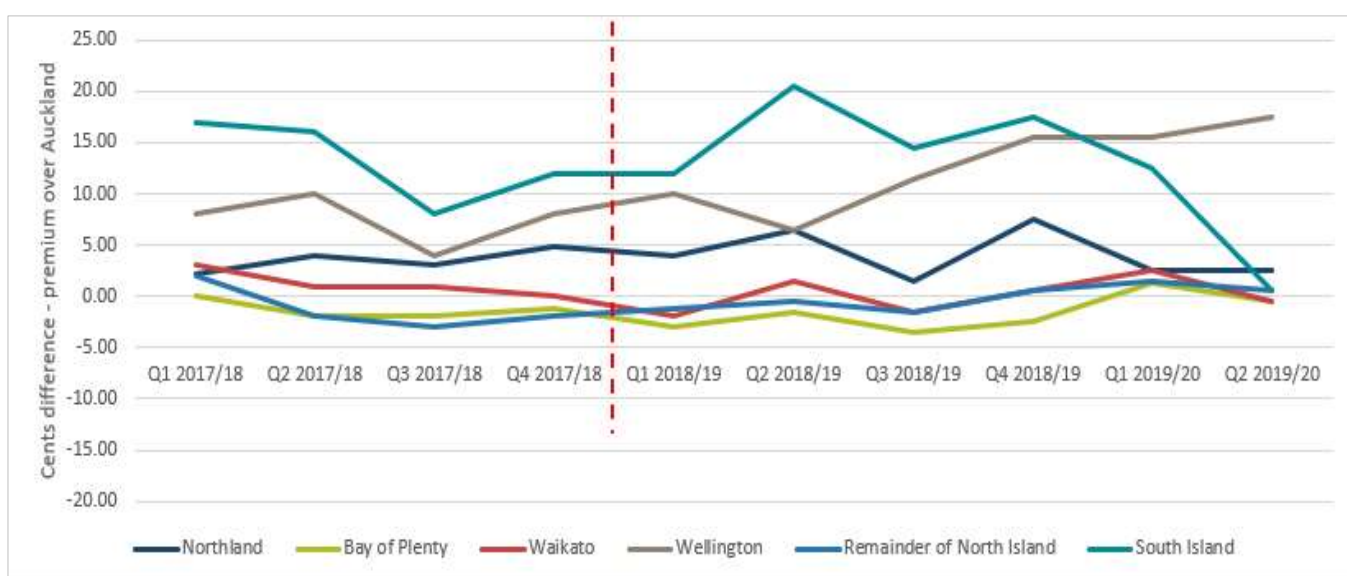
**Figure 4 – Price difference between fuel inside and outside the scheme area (adjusted figures)**

Figure 5 illustrates the difference between 91 petrol fuel prices in 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. During the quarter immediately before the RFT scheme took effect, the median prices in Northland, Wellington, and South Island were higher than in Auckland but were lower than Auckland in the Bay of Plenty and remainder of the North Island, and the same in Waikato. Once the scheme took effect, only the median price in the South Island remained higher than in Auckland during the period 01 July 2018 to 30 June 2019. During the period 01 July 2019 to 30 September 2019 (Q1 2019/20), Wellington, Otago and West Coast fuel prices are the highest. In Q2 2019/20, the median fuel price is highest in Wellington compared to the rest of the country (noting that there were insufficient fuel price observations for the West Coast in Q2).



**Figure 5 – Price differences between scheme area and other regions (raw figures)**

Figure 6 shows 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 from the introduction of RFT.



**Figure 6 – Price differences between scheme area and other regions (adjusted figures)**

## COMPLIANCE CHECKS

Under section 65Y3(c) and (d) of the LTMA, the Transport Agency must report information on non-compliance with the RFT scheme and also on avoidance of RFT.

As a first point of non-compliance checks, the Transport Agency has developed assessment processes for RFT revenue collection and rebates.

The Transport Agency is resourced to conduct RFT audits. These audit investigations are to identify avoidance of RFT and non-compliance within the Auckland RFT scheme. A schedule for planned audits was developed in the second quarter and audits are now underway.

An initial taxpayer audit commenced in the second quarter and was completed on 20 December 2019. The first component of this audit looked at procedures and fuel management systems. The second component of this audit, analysis of fuel distribution data and audit findings, will be completed in the third quarter. The same approach will be used for subsequent taxpayer audits.

### Site exemptions (sites exempt from paying RFT)

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

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

**Table 5 – Inspections of exempt sites from 01 July 2018 – 31 December 2019**

Quarter	Inspections of exempt sites
Q2 2018/19	Three exempt sites were inspected and granted approval.
Q3 2018/19	Two exempt sites were inspected and granted exemption status.
Q4 2018/19	No exempt sites were referred for inspection. Four existing exempt sites were granted renewal.
Q1 2019/20	No exempt sites were referred for inspection. Eleven existing exempt sites were granted renewal.
Q 2019/20	One exempt site was referred for inspection and granted approval. Three existing exempt sites were granted renewal.

### Scheduled/unscheduled taxpayer (fuel distributor) audits

This includes audits of all regional fuel taxpayers' record-keeping systems and their compliance in reporting and paying RFT. Taxpayer audits will be completed according to a planned audit schedule. A schedule for planned audits was developed in the second quarter and audits are now underway.

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

### Rebate claim audits

This includes targeted and randomly targeted audits of rebate customers' RFT rebate claims. The Transport Agency has now collected sufficient data and evidence from rebate claimants to identify targeted audits. These audits are planned according to the schedule that was developed and audits are underway...

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

## Bureau audits

Bureaus are organisations which file rebate claims on behalf of another entity (customer) for a fee. Upon entering into a service agreement with the Transport Agency, bureaus must undergo an audit of their internal processes and systems. Bureaus are also subject to on-going regular audits to evaluate compliance and remediation of any issues identified. These include audits of rebate claims submitted. The first bureau audit is scheduled to start in the third quarter.

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

**Table 6 – Activity of non-compliance and tax avoidance from 01 July 2019 – 31 December 2019**

Quarter	Non-compliance	Avoidance
Q4 2018/19	<p>An investigation of the processes of a Regional Fuel Taxpayer regarding the delivery of fuel was conducted to ensure that regional fuel tax is being accurately applied and collected for non-exempt fuel. The investigation did not identify any non-compliance. The next step now is to fully investigate the tax paid. This investigation will commence during the next quarter. It is intended that this targeted investigation will determine where full RFT compliance has been achieved.</p> <p>Having applied the full audit/investigation process throughout this current investigation, the next stage of this investigation will inform a wider review to further develop the audit compliance framework. Once the review is completed, we will use the same approach to audit the other taxpayers.</p>	<p>Taxpayer (3) continues to be under investigation as further audit is required.</p> <p>Taxpayer (4 and 5) Exempt entries are being investigated to ensure that there is no RFT avoidance for quarter four.</p>
Q1 2019/20	<p>Following an investigation of the processes of a Regional Fuel Taxpayer regarding the delivery, application and collection of non-exempt fuel, an incorrect filing penalty was issued to the taxpayer. The Transport Agency is confident that the penalty covered all unpaid revenue from this process.</p> <p>It was determined that the return submitted by Taxpayer (6) did not comply with section 65(V) of the Land and Transport Management Act, and a penalty was raised.</p> <p>Late submission of RFT returns by Taxpayer (7) resulted in a late submission penalty. The return has since been filed.</p> <p>Late payment penalties were issued to Taxpayers (8 and 9) for late payment of RFT.</p>	<p>Taxpayer (3) continues to be under investigation. Information gathering and risk area identification was completed in quarter one. An audit will be completed in quarter two.</p> <p>Taxpayer (4) has since paid RFT for the under-reported litres and the subsequent penalty that was issued.</p> <p>It was confirmed that Taxpayer (5) correctly determined RFT liability.</p>

Q2 2019/20	<p>Taxpayer (6) has since paid the non-compliance penalty.</p> <p>Taxpayer (7) has since paid the late submission penalty.</p> <p>Taxpayers (8 and 9) have since paid the late payment penalties.</p> <p>No further non-compliance was identified during Q2.</p>	<p>Taxpayer (3) was audited based on their procedures and fuel management systems. This was completed on 20 December 2019. As a result of delays from taxpayer (3) and audit results, an additional audit into their fuel delivery data is underway. This is scheduled to be completed during Q3 2019/20.</p>
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## 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 LTMA and its regulations.
- **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.