

OVERVIEW OF LICENCING PATTERNS

As at 30 July 2014 there were a total of 4,431,556 vehicles in the New Zealand fleet. Of these, 3,921,000 or 88% had a current licence. While not all vehicles are required to be continuously licenced, half a million vehicles were unlicensed.

This document brings together conclusions from the data analysis that has been performed to date and the results of the second stage of customer research to present a rounded view of the current state of vehicle licencing in New Zealand.

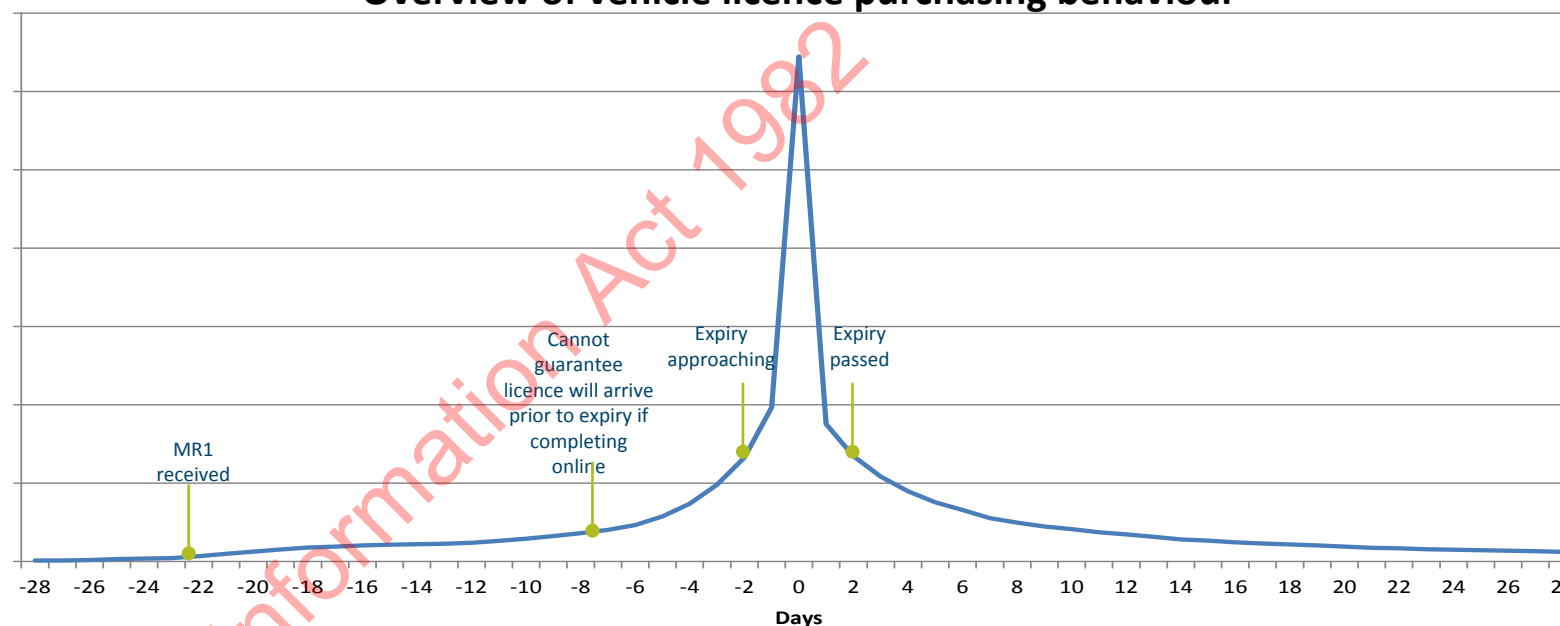
Customer research was conducted in two stages. The first focused on digital reminders (email and text) and a vehicle licencing calculator. The second stage which focused on the remaining initiatives. 18 individuals and 7 small to medium businesses were interviewed for the second stage of research.

Licencing patterns across the light vehicle fleet (around 90% of the vehicle fleet) in 2013/2014 show that there a pattern to licencing behaviour, with increases and decreased driven by distinct decision points. The key decision points are:

- Increase at 24 days prior to expiry as the MR1 Reminder is received
- Increase in face to face transactions at 7 days prior to expiry as customers may not receive their licence on time when purchasing via the self service channel
- Sharp increase at 2 days prior to expiry as expiry approaches
- Sharp decrease at 2 days after expiry as the urgency has been removed.

This pattern does not vary when we look at gender, age of registered person, age of vehicle, payment methods, or payment channels.

Overview of vehicle licence purchasing behaviour



LICENCING CALCULATOR

Participants independently suggested that an alternative method of determining the licencing fee would be helpful. This was most often linked to the desire to know the fee for a shorter or longer period than those advertised on the form.

Stage one of the research showed a strong demand for a licencing calculator when participants were specifically questioned. The combined results of both stages of research show a strong demand from customers for a vehicle licencing calculator.

EMAIL REMINDERS

Stage two of the research asked participants if they felt they were given enough information to do the right thing. The majority of respondents suggested that an email or text reminder would be useful.

Digital reminders were mentioned as key customer wants or needs throughout the research. They were specially mentioned when participants were asked to describe an ideal customer licencing experience, and when asked to describe a system for automatic renewal of the licence.

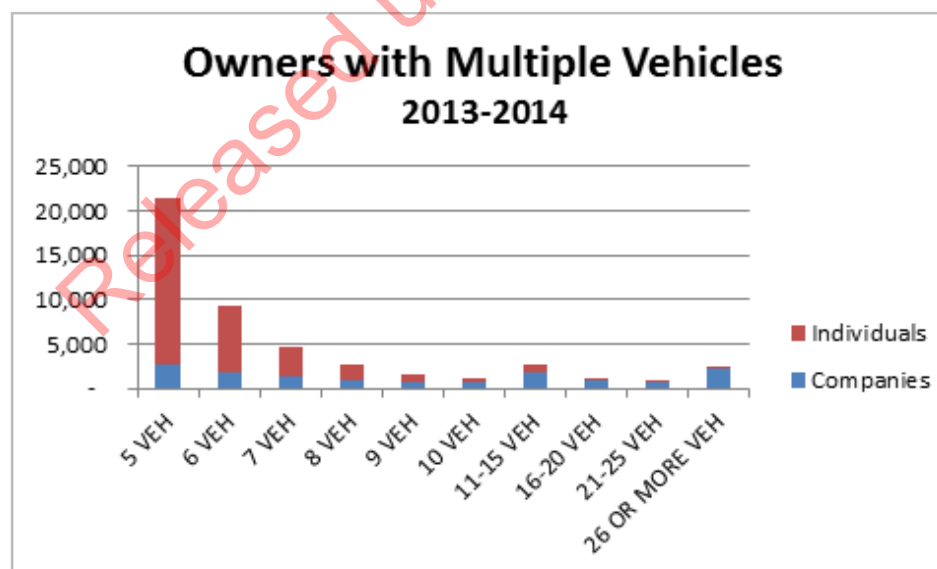
Stage one of the research also showed a strong demand for digital reminders from participants.

CUSTOMERS WITH MULTIPLE VEHICLES

There are approximately 2.5 million registered persons in the NZ fleet. Around 30 percent are registered in respect of more than one vehicle. Internal customer research shows that some customers were enthusiastic about combining their vehicle payments as this would give them fewer transactions and less opportunity to be non-compliant. Convenience was another major factor.

Other customers did not wish to combine their vehicles, mainly for budgeting reasons, or to keep personal and business vehicles separate. In general, customers wanted the ability and choice to either combine vehicles, or separate them further as they chose.

Companies or businesses are the registered person for nine percent of the vehicle fleet. Most small to medium businesses preferred to separate re-licencing payments due to cash flow. Even if participants indicated that they would prefer a single transaction, the overall licencing cost was considered a major factor.



BARRIER IDENTIFIED

Multiple transactions means a larger chance of becoming uncompliant

INSIGHT

Provide the customers with a choice to combine reminders and vehicle payments.

ANTICIPATED BENEFITS

- Increase in online transactions (barrier removed for customer)
- Increase in customer satisfaction

ANTICIPATED NEGATIVE CONSEQUENCES

None identified as result of research

ALTERNATIVE PROOF OF PURCHASE

In the research conducted by internal staff, participants showed a strong demand for an alternative proof of purchase, and identified this as the main barrier to purchasing a licence online.

These participants stated that they were more likely to purchase online if the alternative proof of purchase was available.

This result mirrors the research conducted in 2013, showing that there is a consistent and present demand for an alternative proof of purchase when transacting through the self service channel.

BARRIER IDENTIFIED

Unwillingness to use self service channel close to expiry date as no certainty of receiving label in time

INSIGHT

Introduce an alternative proof of purchase

ANTICIPATED BENEFITS

- Increase in online transactions (barrier removed for customer)
- Increase in customer satisfaction

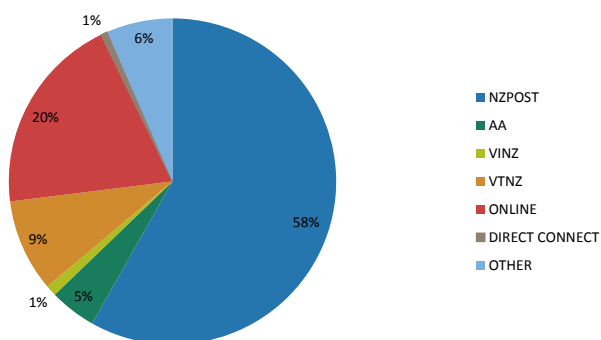
ANTICIPATED NEGATIVE CONSEQUENCES

None identified as result of research

PAYMENT METHODS

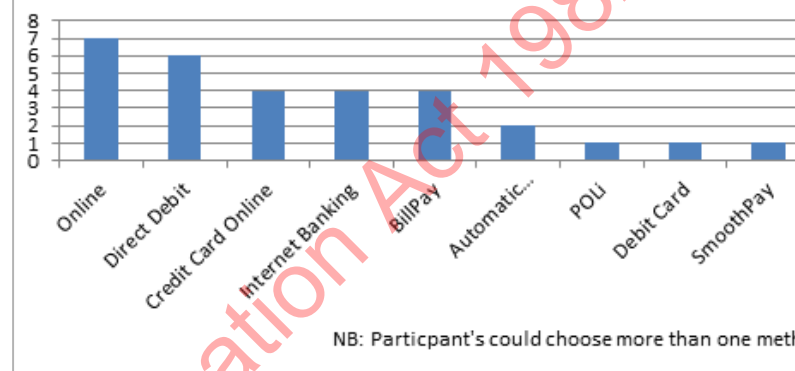
Payment channel choice is out of step with other bills

Vehicle Licencing - Payment by Channel 2013/2014



- Seven of eight survey participants pay their other bills (such as utilities, phone/internet, insurance and rent) via a digital method.
- Convenience, ability to see bank balances and control over payments were the main reasons for choosing a digital payment method.
- Small to medium businesses had a strong tendency to purchase their licence at an agent using a cheque as this is easier for them to account for.
- In 2013/2014 53 percent of licences were purchased using EFTPOS, and a further 19 percent by credit card. These customers would be the target group to move to digital payment methods
- 15 percent of customers in 2013/2014 paid by cash and 12 percent by cheque. It is unlikely that we be successful at moving a large proportion of this group to a digital payment method.

Participant's Preferred Method of Payment

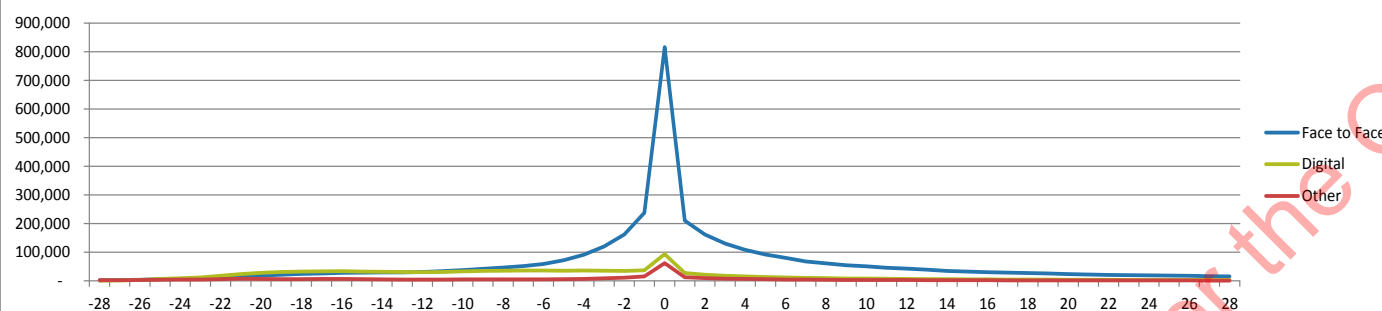


- There is strong support for an automatic renewal payment system.
- Survey participants linked the automatic renewal to the ability to pay for shorter licence periods (e.g. monthly) and with email or text reminders.
- Half of those currently paying late or by non-digital methods (self-reported) stated they would pay online and on time if their preferred method was available.

Half of the survey participants not currently online or on time indicated they would switch if their preferred payment method was offered

This was because the licence would align with other bills or the customer's lifestyle.

Vehicle Licences - Payment by Channel 2013/2014 (combined channels)



Payment behaviour is driven by the structure of the current system

In the 2013/2014 year, 73% of licence purchases were made via a face to face channel. This has been a stable transaction rate for the last few years.

There is minimal movement between different payment channels, suggesting that without a change in services offered, there is little incentive for customers to alter their current behaviour.

When asked how you could currently relicence, half the survey participants identified NZ Post.

This suggests that NZ Post is seen as a key method or outlet for the Transport Agency, a conclusion that is supported by previous research.

It also supports the number of licencing transactions (around 58%) which are completed via NZPost outlets.

BARRIER IDENTIFIED

- No instant proof of purchase (label) when transacting online
 - Methods used to pay other bills not offered

INSIGHT

- Increase prompts/reminders prior to expiry of current licence
- Allow customer to treat vehicle relicencing like their other bills – offer wider payment choices.

ANTICIPATED BENEFITS

- Increase in online transactions (barrier removed for customer)
- Increase in customer satisfaction
- Increase in on time compliance

ANTICIPATED NEGATIVE CONSEQUENCES

- May increase transaction and label volumes, impacting suppliers and the business

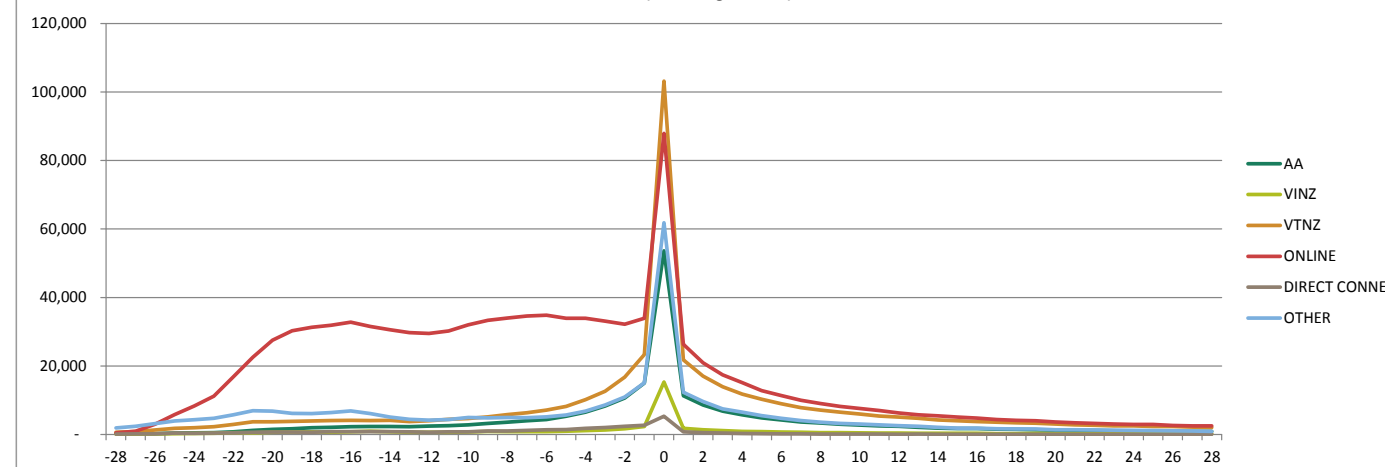
The first significant boost in transaction numbers occurs three weeks prior to expiry. This is presumably linked to customers receiving the MR1 reminder notice, showing that to notice is a key touch point and call to action for customers.

Transactions through www.nzta.govt.nz are the most popular renewal method until 7 days prior the expiry date. This indicates that the online channel is the most convenient for customers until they become concerned about receiving their label prior to expiry date.

Payment after the expiry date follows the same gentle declining curve for all channels, indicating that once the expiry date has passed, channel accessibility does not influence purchasing behaviour as the driving motivator for purchasing, the expiry date, has passed.

Payment through www.nzta.govt.nz is popular, but it's effectiveness is hindered by wait for a label

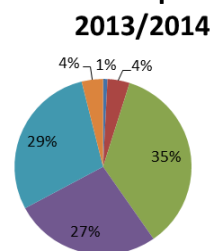
Vehicle Licencing - Payment by Channel 2013/2014 (excluding NZ Post)



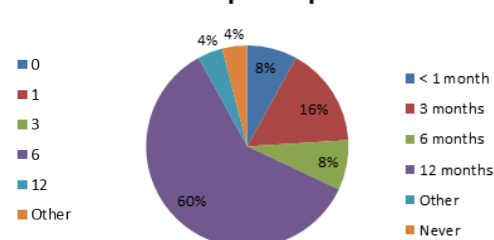
VARIABLE LICENCE PERIODS

Customers prefer to purchase longer licences when possible

Proportion of Licences purchased by length 2013/2014



Length of licence purchased by participants



Data analysis of the 2013/2014 year shows that 82.5% of licences are purchased in the 3, 6 and 12 month periods specified on the reminder form. Less than 5% of licences are purchased for 1 month or less.

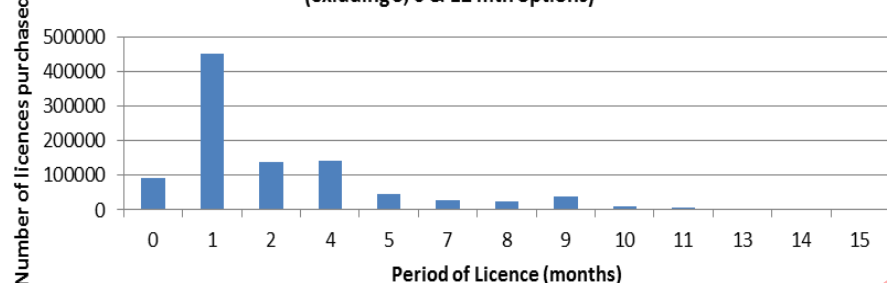
Customers during the recent Optimal survey were asked to indicate their preferred licencing period on the reminder form. Of the 880 participants 52% said 12mths, 29% 6months, 11% chose 3 months, and 8% other or did not indicate.

The most popular licence period other than the standard advertised periods of 3, 6, 12 months is a 1 month licence.

The data supports the customer research conclusion that the majority of customers prefer longer licencing periods.

Period of Licence 2013/2014

(excluding 3, 6 & 12 mth options)



Customers aren't aware of the MR 27 – Change of Expiry process

- Around half of the survey participants were satisfied with the current expiry date of their licence, with nine stating that they would choose a different expiry date.
- Aligning the expiry to a date that was more convenient for them was the primary reason for changing (either to align with their WOF/service date, pay date, with other bills or away from expensive months).
- 60 percent of survey participants chose to licence for 12 months, and the majority stated that they would prefer to licence for longer periods if possible as there was less risk of becoming uncompliant.
- The main reason for choosing the licence period was budgeting considerations or convenience. Around half would choose a different licence length.
- Survey participants specifically linked shorter periods to the ability to direct debit their payments on a regular basis.
- There was minimal awareness amongst participants regarding the ability to purchase a period other than those listed on the reminder form (3, 6, 12 months). This is reflected by the uptake of MR27 transactions. In 2013/2014 only 7% of vehicle licencing transactions were for change of expiry.

BARRIER IDENTIFIED

- Transaction does not occur at convenient time
- Limited awareness of current ability to change expiry date or purchase non-standard licence periods

INSIGHT

- Provide better access to change expiry date - combine MR1, MR1B and MR27 forms and offer exemption transaction online
- Allow customer to choose licence period by choosing an expiry date

ANTICIPATED BENEFITS

- Increase in online transactions (barrier removed for customer)
- Increase in customer satisfaction
- Increase in on time compliance

ANTICIPATED NEGATIVE CONSEQUENCES

- May result in grouping of licence expiry dates (high and low volume seasons for agents and NZTA staff)
 - May increase transaction and label volumes
- May increase customer opportunities to miss an expiry date

What does the Future State look like – and what are the risks?

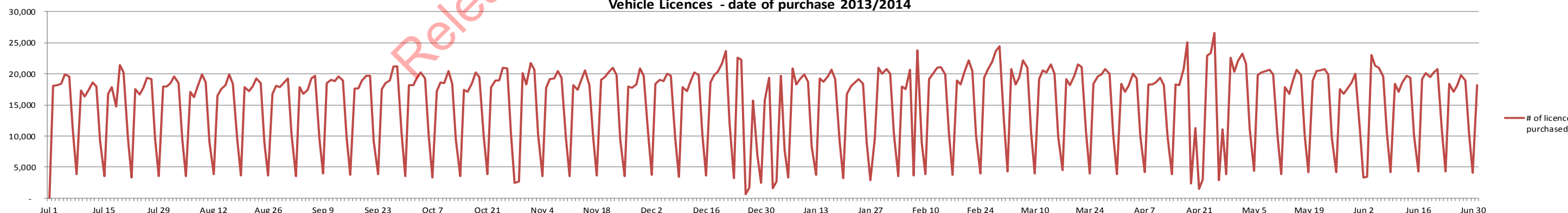
Introducing automatic recurring payments will increase the number of shorter term licence periods being selected by customers, particularly if the initiative offers set options (e.g. 1 month, 3 months, 6 months). The set periods (3, 6 and 12 months) appear to be chosen due to a lack of knowledge amongst customers of the ability to self select a different period. By including this ability on the MR1 and in the online transaction, it is likely that we will see an increase in shorter licence periods.

Shorter licence periods represent a risk to the customer and to the business. The customer has more opportunities to be late or non-compliant while the business is required to increase label production to meet the demand for shorter licence periods – particularly for automatic recurring payments.

This risk is mitigated by the self reported customer preference for a longer period when possible. It is likely that the opportunity to licence for a shorter period will only be utilised by those who are financially constrained and not by the general public, thus reducing the movement from longer periods to those who truly need it.

By emphasising the ability to choose an expiry date, we may see an increase in renewals due during July as customers change their expiry date to take advantage of ACC levy changes. As demonstrated below the distribution of purchases throughout the year is currently evenly spread.

Vehicle Licences - date of purchase 2013/2014



The trend is for a slight increase over the year of licences purchased. This is consistent with other data that shows year on year increases (from 2008) of 3mth licences purchased at the expense of 12mth licences. 6 month remains at a stable level. Note that the increase in shorter licences may be linked to the higher ACC levy implemented in 2008 (an increase of approx \$100). The Government has announced a decrease in the levy from July 2015 and this may result in a return to a longer licence period as it becomes more affordable.

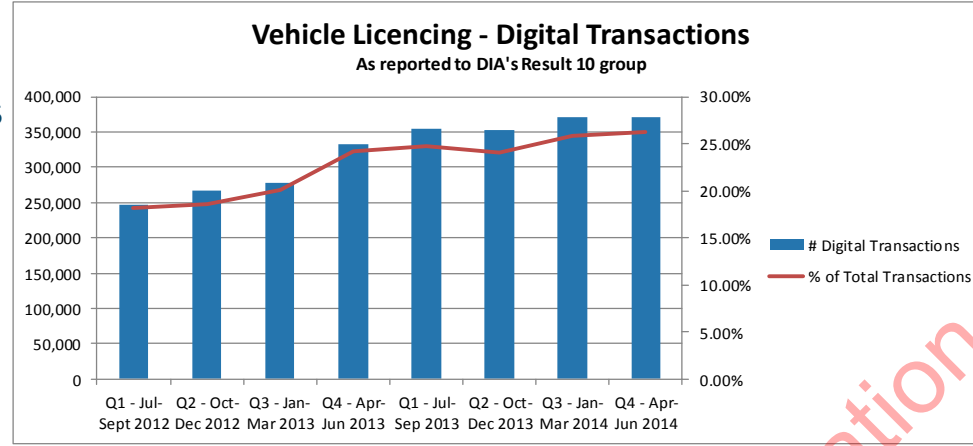
ONLINE EXPERIENCE

Transactions through www.nzta.govt.nz are static

Digital transaction volumes remain flat. In the last 5 reported quarters, digital transactions have increased by less than 40,000 transactions, or 2%.

The increase between Q3 and Q4 2013 is attributed to the inclusion of additional digital channels (direct connect, industry agents) to the reported figures.

Only 20% of the overall transaction volumes are made through www.nzta.govt.nz.



BARRIER IDENTIFIED

- Difficult to access from smartphone
- Authentication requirements prevent businesses from accessing the transaction

INSIGHT

- Introduce a smartphone app
- Simplify transaction layout and screens
- Hold and return customer details

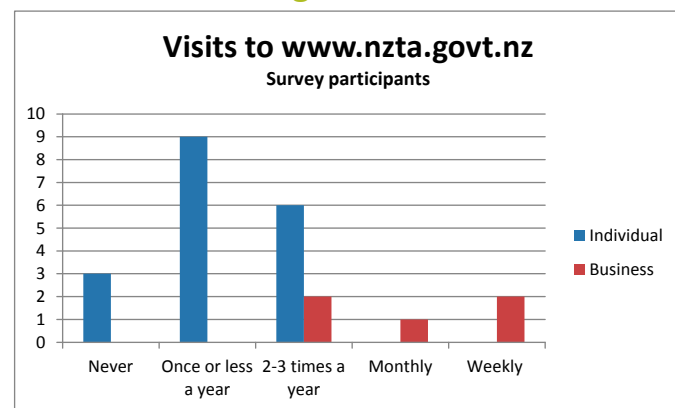
ANTICIPATED BENEFITS

- Increase in online transactions (barrier removed for customer)
- Increase in customer satisfaction
- Increase in on time compliance

ANTICIPATED NEGATIVE CONSEQUENCES

- Inconsistent customer experience with other transactions offered by www.nzta.govt.nz

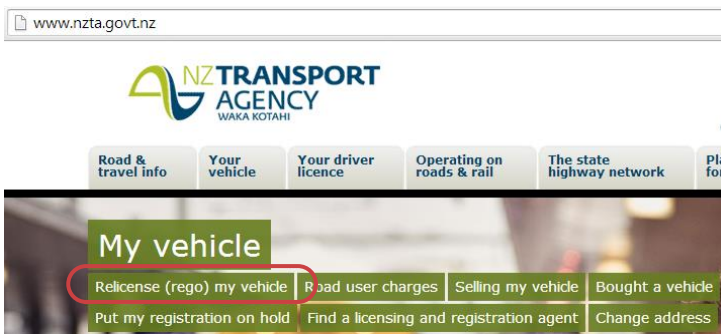
Customers who visit the website complete licencing related tasks



The majority of survey participants who visited www.nzta.govt.nz do so for vehicle licence related task such as

- purchasing a licence,
- changing ownership (registered person),
- putting vehicles on hold (exemption) or
- getting information on licencing costs.

Other reasons for visiting included searching for information about a drivers licence, looking for information on local roading projects and investigating drink driving ads.



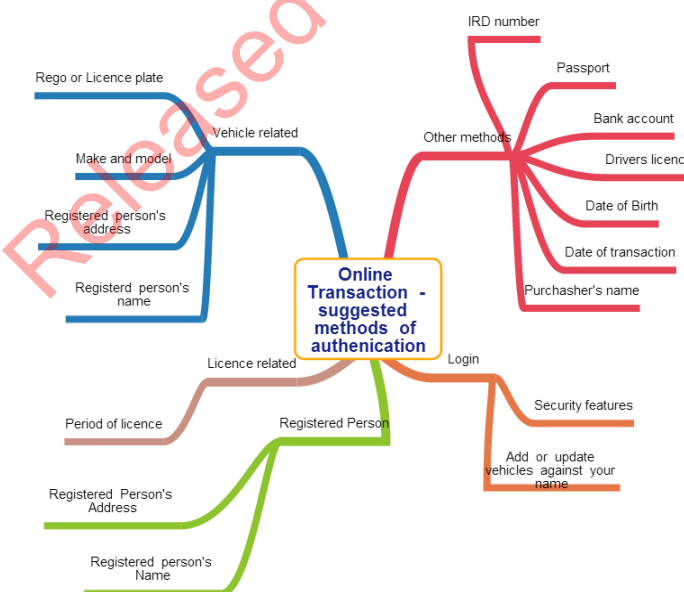
Most customers are happy to provide two or more authentication tokens

Half of the customers interviewed were unable to identify any authentication tokens required to begin the online transaction.

When asked what they would prefer, customers identified various identification tokens, with most customers indicating they were happy to provide more than one to begin the transaction.

Several participants suggested a login.

Only three customers stated that the licence plate or "rego" was the only piece of information they expected to enter to begin the transaction.



But the current authentication tokens cause problems for businesses

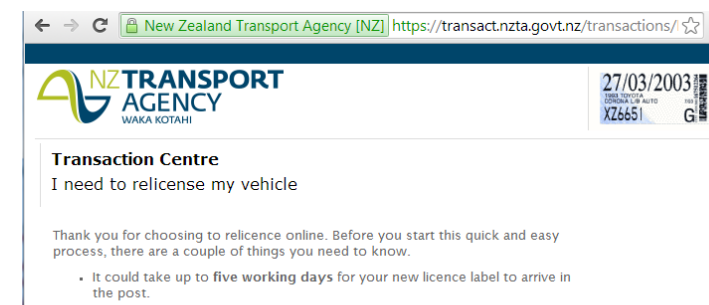
Small to medium businesses generally perceived the current online process as 'too hard'

BUT

Businesses expressed a desire to go online due to the convenience factor.

Customers identified that barriers to going online were:

- Waiting for the label
- Inability to licence due to being unable to provide the correct identification tokens.



All customers want

- Customers expressed a wish for a simple layout, with clear, simple instructions.
- It was all about the convenience factor – customers liked the unobtrusive nature of websites that did not require them to go out of their way to access the service.
- Customers liked multiple options on how to access the website, with several suggesting that an app for their smart device would be easier to use than the website.

RELATIONSHIP BETWEEN WOF/COF INSPECTION AND VEHICLE RELICENCING

In order to purchase a vehicle licence, a vehicle must have a current safety inspection, either a Warrant of Fitness (WOF) or a Certificate of Fitness (COF), dependant on the vehicle type and usage.

A customer is unable to purchase a vehicle licence if the WOF or COF has expired.

This requirement is in place to encourage customers to maintain a safe and roadworthy vehicle at all times. The policy rationale behind this is that the Transport Agency's focus is on promoting safe vehicles on the roads than collecting a "tax".

Decoupling the requirement to have a current safety inspection prior to allowing a customer to relicense a vehicle was considered during the 2013 policy phase of the AVL project. It was decided not to recommend decoupling for the safety reasons outlined above.

Anecdotally, one reason given for customers relicensing late is that the safety inspection is due close to, or on the same date as the vehicle licence. When there is unexpected repairs required on the vehicle to make it roadworthy, there is a delay in purchasing the licence, either because the customer must wait for work to be completed, or because the cost of the repairs means the customer no longer has the disposable income to purchase the licence.



CUSTOMER RESEARCH

No specific questions were asked regarding the relationship between the WOF/COF and relicensing during either of the two rounds of customer research.

WOFs were mentioned by customers in relation to the expiry date of their licence. Some customers wished to change their expiry date to align with their WOF due date or service date. This suggests that customers do not see this as a barrier to purchasing their licence on time, and would help them to remember the expiry date. It was not clear however that customers understood the requirement to have a current safety inspection in order to relicense.

In the Optimal Survey 0.8% of participants suggested that we allow customers to re-licence with an expired WOF or include a WOF reminder with the MR1 reminder. These comments came from NZTA staff participants - there were no similar comments from external participants. This suggests that either customers are not aware of the requirement to have a current safety inspection in order to re-licence their vehicle, or that they do not see this as a barrier to relicensing.

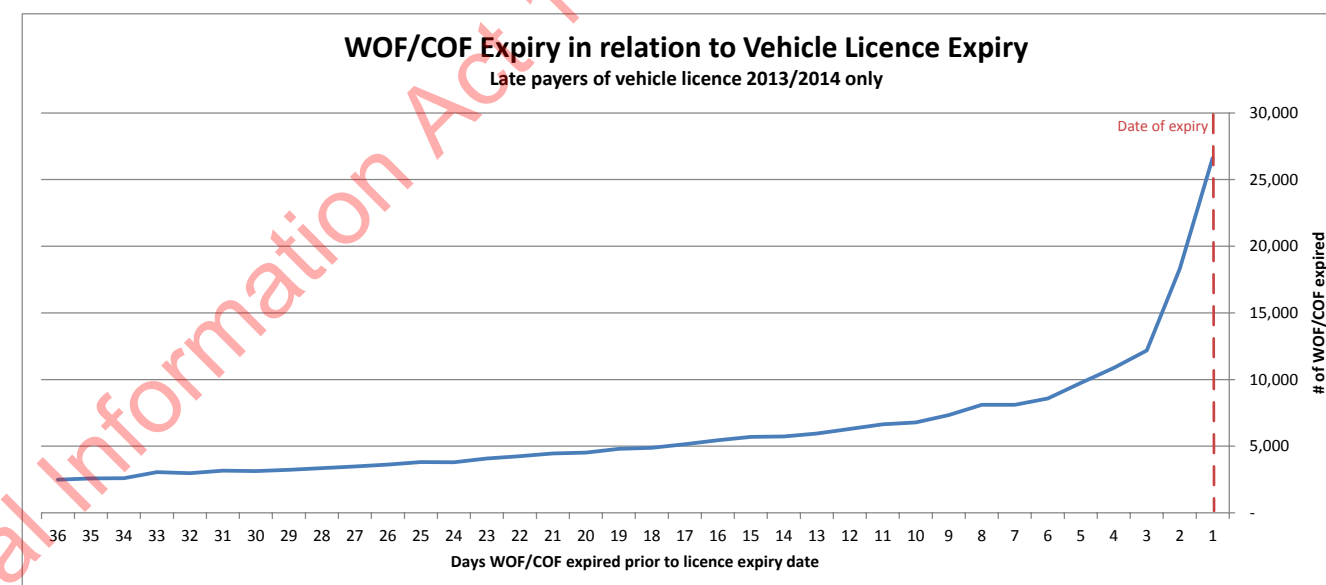
CONCLUSION

There is no specific causal link showing that the date of expiry of the WOF/COF significantly impacts the late payment of the vehicle licence. There may be many factors influencing the late payment of a vehicle licence, of which the expiry of a WOF/COF may be one.

DATA ANALYSIS

In the 2013/2014 year 2.4 million transactions were completed after the expiry date of the licence. Of these, only 14 percent did not have a current safety inspection at the expiry date of the licence.

Less than 27,000 vehicles that paid late had their WOF/COF expiring on the same date as their licence – only 6 percent of the total number of licences purchased that year, and 8 percent of those who licenced late.



Of those that paid late, 12 percent obtained a WOF or COF in the 28 days preceding their vehicle licence expiry. There is a peak of vehicles gaining their WOF or COF the day after the licence expiry, but only 9 percent obtained their WOF/COF in the 28 days after licence expiry.

