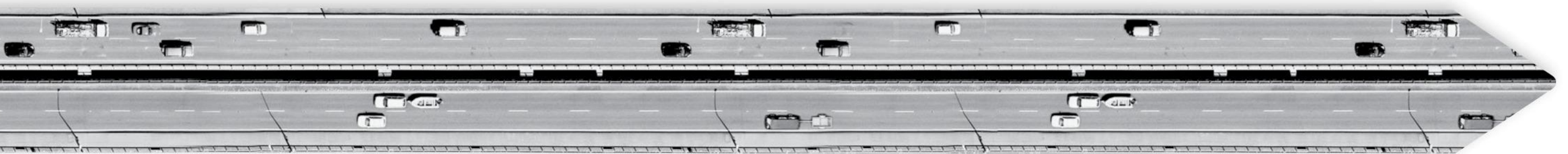


Revenue Monitoring Snapshot – as at 14 January 2015



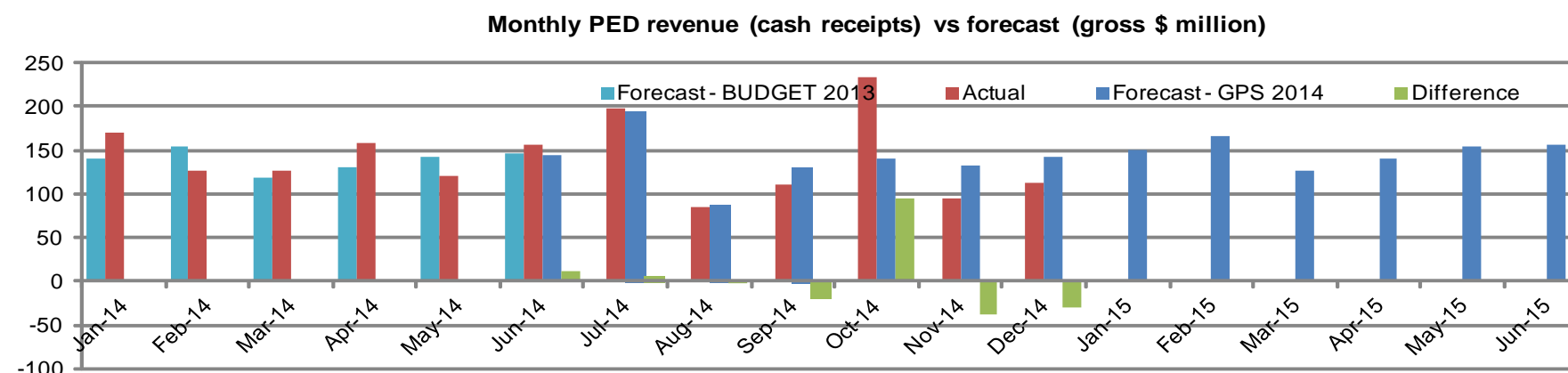
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Disclaimer: This paper is presented not as policy, but with a view to inform and stimulate wider debate.

Petrol excise duty (around \$1,600m p.a. – 55 % of total NLTF revenue)

Strong October puts revenue back on track

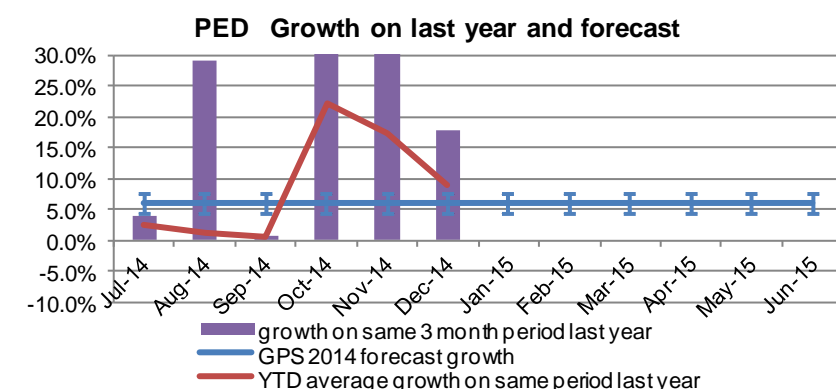
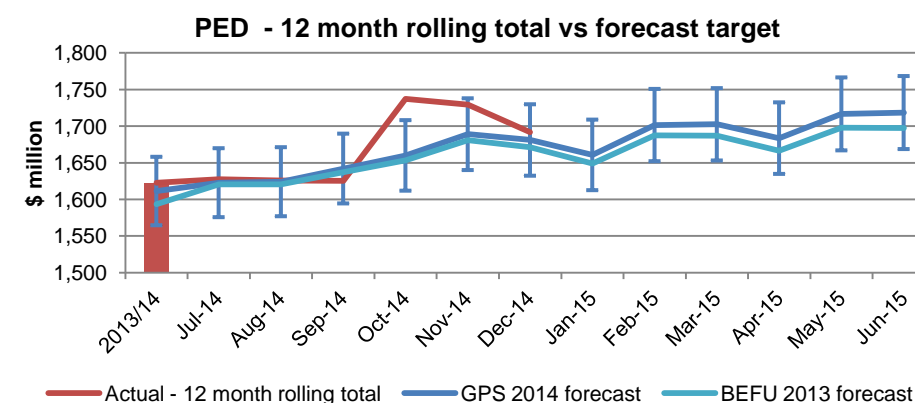
- After a low September 2014, revenue is back on track after a large October import.
- Revenue is in line with GPS forecasts, agreed in June 2014 (up by \$10.6 million, or 1.3%).



\$ million	Actual	171	126	126	159	120	155	199	85	111	234	95	112	-	-	-	-	-	-	YTD
Forecast - GPS 2014							144	194	88	130	140	132	142	150	167	127	140	153	157	824
Difference \$							10.8	4.8	-3.0	-18.6	94.0	-37.0	-29.6							10.6
Difference %							7.5%	2.5%	-3.4%	-14.3%	67.3%	-28.1%	-20.9%							1.3%
GPS 2014 Low								188	85	126	136	128	138	146	162	123	136	149	153	802
GPS 2014 High								199	90	134	144	136	146	155	171	131	144	158	162	848
Forecast - BUDGET 2013	139	154	118	130	142	146	191	87	128	138	130	140	149	165	125	138	151	155	814	
Forecast - OBU 2014											140	132	142	150	167	127	140	153	157	824

Higher than expected growth on 2013/14

- The GPS forecasts represent forecast growth of 5.9% on 2013/14 actuals:
 - 5.6% coming from PED rate increase (the 3 cents per litre increase on 1 July 2014)
 - 0.3% forecast growth in petrol volumes
- Year to date growth on the same period as last year is higher than forecast (9%). This is largely a result of higher than expected growth in petrol volumes.
- This seems consistent with monthly average daily traffic counts for light vehicles which have been up when compared to the same period as last year:
 - October – 5.2%
 - November – 2.2%
 - December – 3.0%

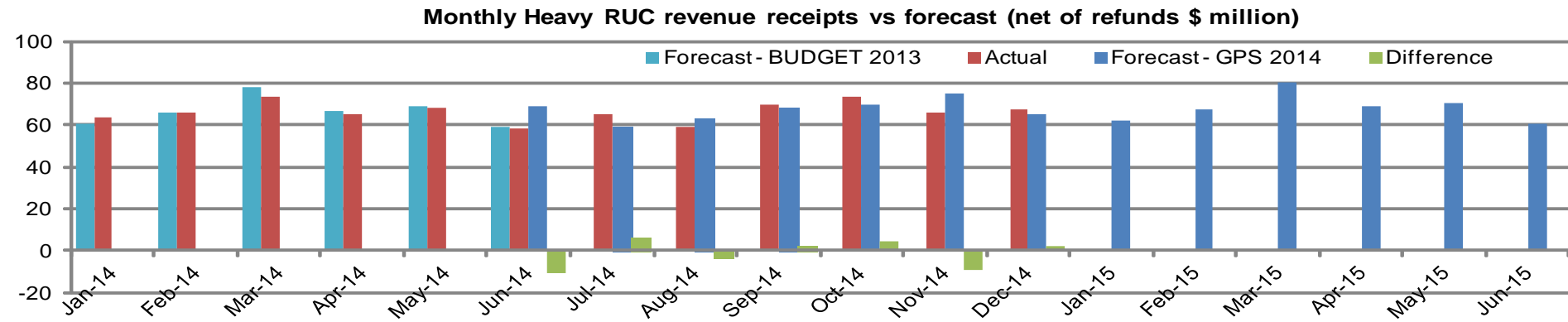


Note about petrol excise duty revenue and travel demand: Revenue receipts for petrol excise duty are based on wholesale supply (when petrol is refined at the Marsden point, and when refined petrol is imported) and are very volatile depending on the timing of shipments. This volatility can even affect annual totals, depending on which 12 months are included. Changes in the quantity of stock held by petrol suppliers and the 1-2 month lag between shipment and payment of duties can also distort the relationship between supply and demand as well as estimates of average fuel efficiency.

Heavy RUC (around \$800m p.a. – 26% of total NLTF revenue)

So far so good for Heavy RUC

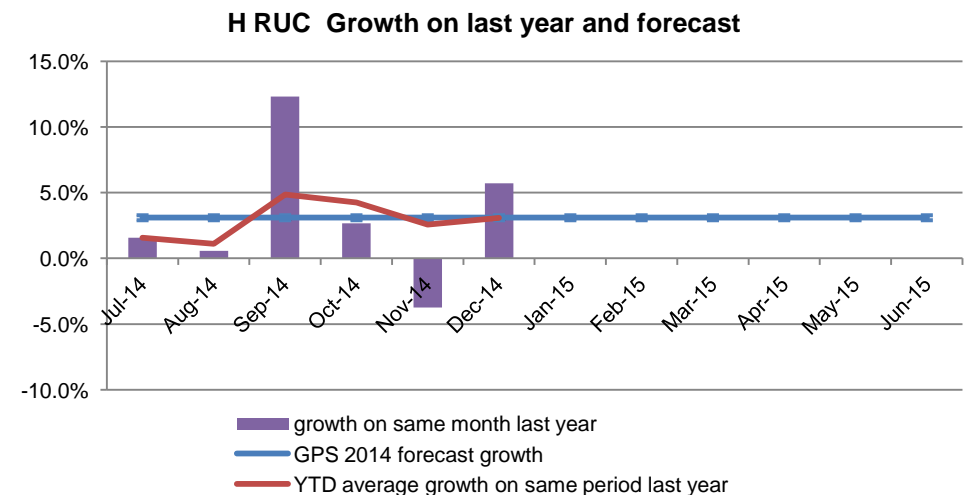
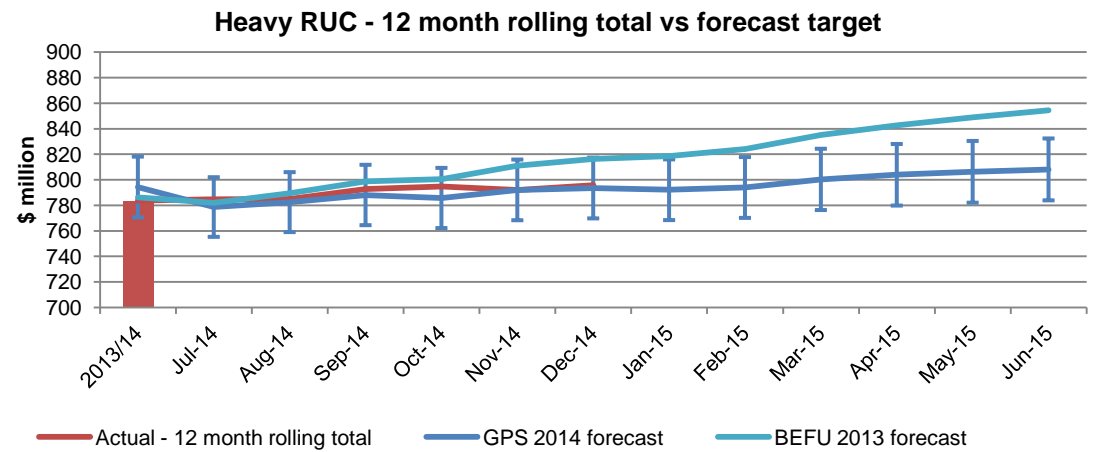
- Revenue is tracking close to forecast, up by \$2.2 million (0.5 %) for the year to date.
- This is a result of a slight dip in actual revenue compared to forecast for the second quarter of the year, following on from an optimistic first quarter.
- An encouraging year to date result, after a large drop in revenue at the end of the last financial year.
- Higher revenue levels may still be seen in the coming months, as the 3% increase in heavy RUC rates that took effect on 1 July 2014 start to flow in once pre-purchased RUC runs out.



\$ million	Actual	63	66	74	65	68	59	65	59	70	74	66	68	-	-	-	-	-	-	YTD
Forecast - GPS 2014							69	59	63	68	69	75	65	62	67	80	69	71	60	401
Difference \$							-10.6	6.1	-3.5	2.1	4.2	-8.9	2.2							2.2
Difference %							-15.3%	10.3%	-5.6%	3.1%	6.1%	-11.9%	3.3%							0.5%
GPS 2014 Low								57	61	66	67	72	63	60	65	77	66	68	58	385
GPS 2014 High								60	64	69	71	76	67	63	69	82	70	72	62	407
Forecast - BUDGET 2013		60	66	78	67	69	59	62	66	72	73	79	69	66	71	85	73	75	64	422
Forecast - OBU 2014											70	75	66	62	68	80	69	71	61	401

Heavy RUC growth consistent with GPS forecast

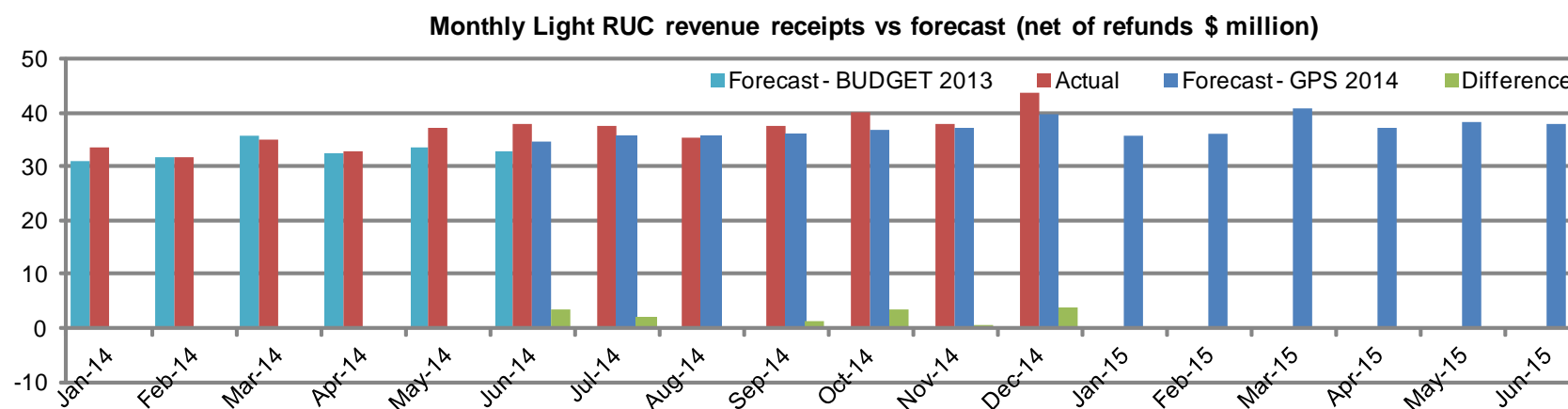
- The GPS forecasts for 2014/15 were for modest Heavy RUC volume growth following strong growth the previous year (2.7%).
- GPS forecasts represent forecast growth of 3.1% on 2013/14 actuals:
 - 3.0% coming from Heavy RUC rate increase
 - 0.1% forecast growth in Heavy RUC kms purchased
- Year to date growth (3.1%) is spot on with forecast (3.1%).



Light RUC (around \$420m p.a. – 14% of total NLTF revenue)

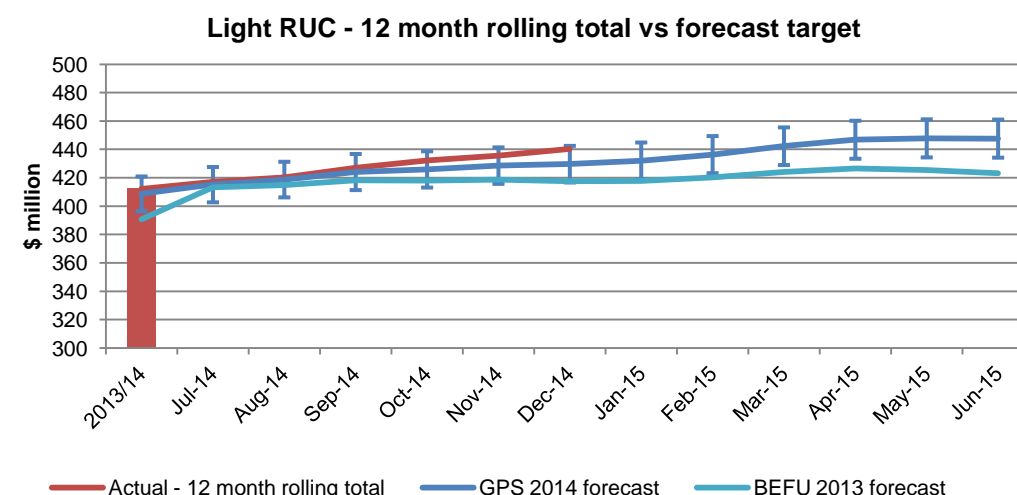
Easing off of Light RUC yet to be seen

- Revenue is above forecast by \$10.6 million (4.8%) for the first half of the year.
- The GPS forecasts for 2014/15 were for modest drop in Light RUC volume following very strong growth the previous year (8.1%), but light RUC remains strong so far.
- GPS forecasts represent forecast growth of 8.6% on 2013/14 actuals:
 - 10.0% coming from Light RUC rate increase
 - With a small drop of 1.4% forecast for Light RUC kms purchased.



\$ million	Actual	33	32	35	33	37	38	38	35	38	40	38	44	-	-	-	-	-	-	
Forecast - GPS 2014							34	36	36	36	37	37	40	36	36	41	37	38	38	
Difference \$							3.5	1.9	-0.3	1.3	3.4	0.7	3.8							
Difference %							10.0%	5.2%	-0.9%	3.6%	9.2%	1.8%	9.4%							
GPS 2014 Low									35	35	35	36	36	39	35	35	40	36	37	37
GPS 2014 High									37	37	37	38	38	41	37	37	42	38	39	39
Forecast - BUDGET 2013		31	32	36	33	33	33	34	34	34	35	35	38	34	34	39	35	36	36	
Forecast - OBU 2014											36	37	40	35	36	41	37	38	38	

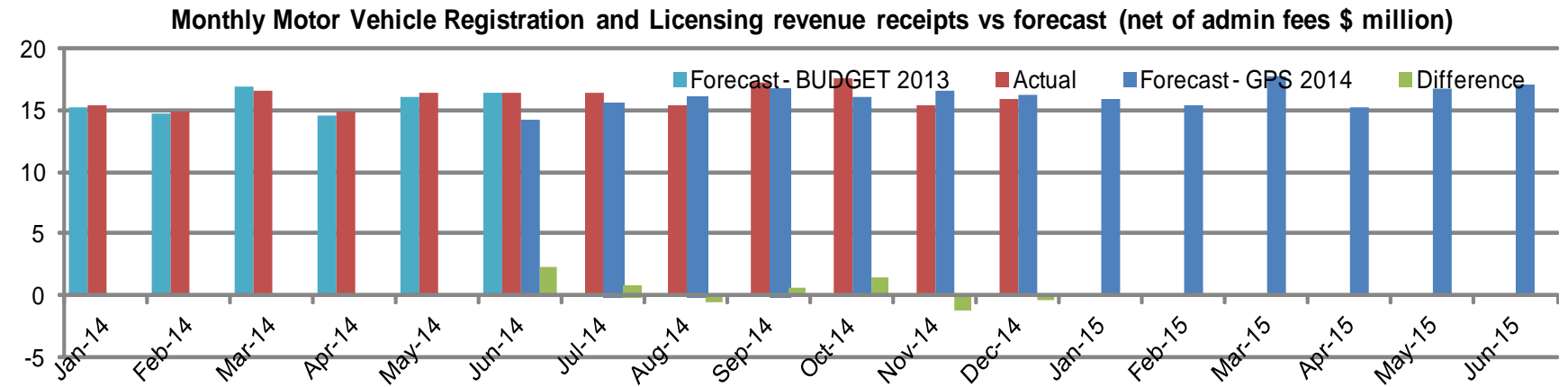
YTD
232
222
10.6
4.8%
215
228
209
220



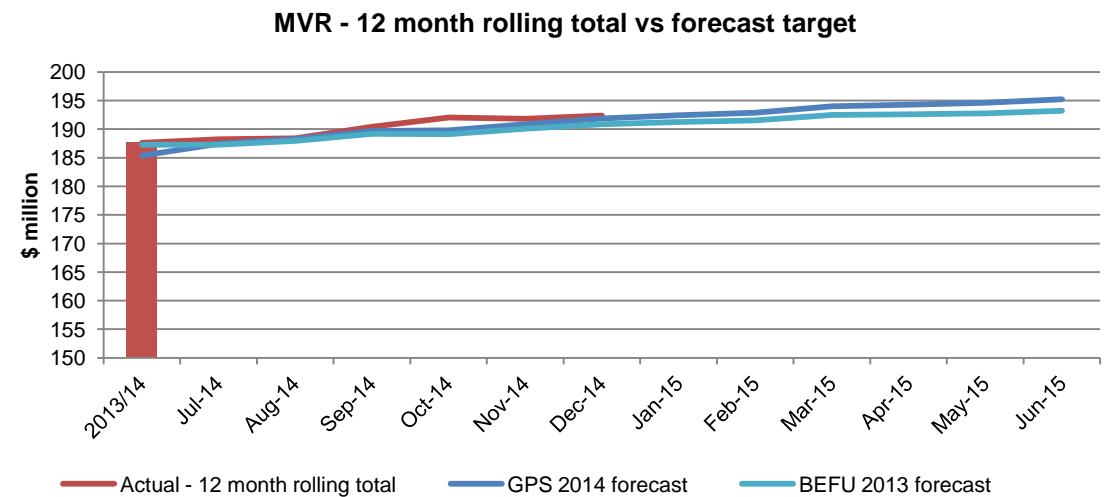
MVR (around \$190m p.a. – 5% of total NLTF revenue)

MVR revenue remains within \$1 million of forecast for the year to date

- Revenue is tracking according to forecast up by \$0.5 million (0.5 %) for the second quarter of the year.
- 4.1% growth is forecast on 2013/14 actuals, with strong growth in the number of new registrations, and the re-licensing of a growing vehicle fleet.



\$ million	Actual	15	15	17	15	16	16	16	15	17	18	15	16	-	-	-	-	-	-	YTD
Forecast - GPS 2014						14	16	16	17	16	17	16	16	16	15	18	15	17	17	98
Difference \$						2.2	0.7	-0.6	0.6	1.5	-1.3	-0.4								0.5
Difference %						15.6%	4.8%	-3.8%	3.4%	9.4%	-7.8%	-2.5%								0.5%
Forecast - BUDGET 2013		15	15	17	15	16	16	15	16	17	16	16	16	16	15	18	15	17	17	96
Forecast - OBU 2014											16	16	16	16	15	17	15	16	17	96



Effect of recent drop in petrol price on NLTF revenue

Significant drop in the price of petrol over the last 3 months

- The global commodity price for petrol has fallen 43 % since October 2014, from US\$115/barrel to US\$65/barrel on 12 January 2015, and fuel prices have continued to fall in New Zealand for the beginning of 2015.
- At current commodity prices, the imported cost of petrol makes up less than 30% of the retail price. Taxes make up just over 50%, with the remainder being the fuel company margin.
- The regular retail price of petrol in New Zealand dropped from \$2.13 in the first week of November 2014, to \$1.72 on 14 January 2015.

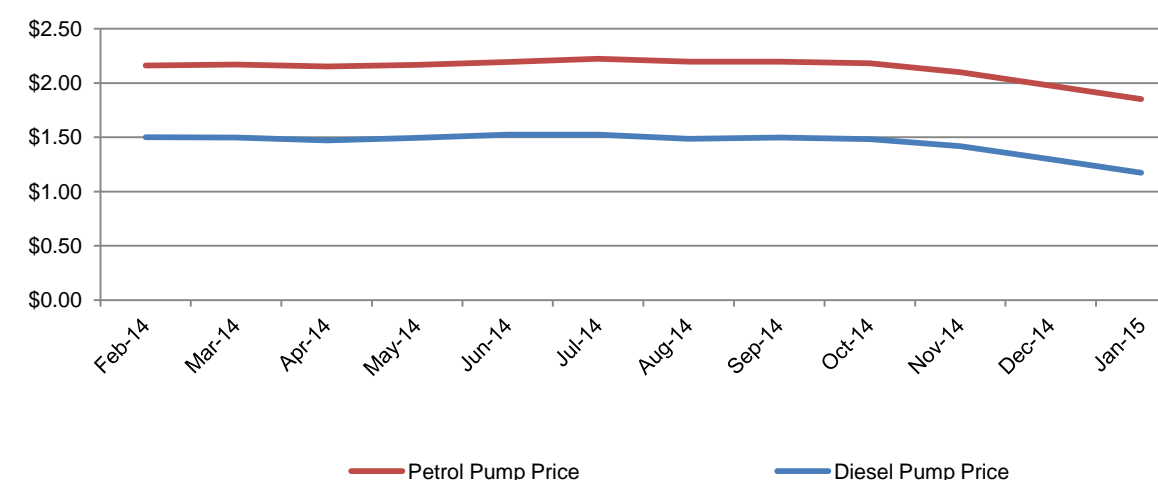
Will petrol price stabilise at current levels?

- The dramatic decrease in the price of petrol comes on the back of a number of years of steady increases.
- There is currently nothing internationally to suggest that prices are suddenly going to turn, and further reductions over the coming month may take place.
- However, it is impossible to make firm predictions about the oil market because there are a variety of conflicting variables that affect oil prices, including supply and demand, geopolitics, and the global monetary environment, all of which are inherently unpredictable.
- Recent reductions may be short-lived as the price of petrol looks set to rise in the long-term.

Petrol price fluctuations contribute to travel demand

- There are a number of factors that determine demand for transport, with fuel prices being one of them.
- In general, people tend to drive more when prices are low. A combination of the positive economic forecast and continuing drop in unemployment suggests that lower prices will probably lead to some increase in transport demand.

Monthly petrol and diesel pump prices (nominal)



Petrol retail price 2005-2014



Effect of changes in travel demand on land transport revenue will be realised over the coming months

- According to surveys conducted by the Automobile Association, the typical petrol bill has slipped by more than \$400 to \$1900 a year, giving drivers about 70 kilometres extra for a \$50 tank of petrol.
- With price reductions coinciding with summer holidays, trips may have included extra day trips or holidaymakers may have gone further afield.
- Fuel excise duty is levied at a fixed rate per litre that does not change with the sale price of petrol.
- Land transport revenue will either be unaffected or will increase in line with any increase in demand for car travel resulting from lower petrol prices.
- As there is a lag between when tax is collected and when fuel is purchased at the pump, we cannot yet tell whether the recent drop in the price of petrol has had an effect on overall revenue. There is also a six month lag on VKT (vehicle kilometres travelled) data.
- If the price of fuel stabilises at current levels, or drops further, and as data is updated, we will have an indication of the effect on travel demand and any associated increase in revenue over the coming months.