



9 September 2026

Dear [REDACTED]

Thank you for your email received by the Ministry for Cities, Environment, Regions, and Transport (the Ministry) on 22 July 2026, requesting the following under the Official Information Act 1982 (the Act):

- “1. The detailed transition plan or roadmap showing how Fuel Excise Duty will be replaced by eRUC.*
- 2. All Cabinet papers, Cabinet minutes, Ministerial briefings, reports, discussion papers, business cases and policy advice relating to this transition.*
- 3. Any documents identifying when Fuel Excise Duty is expected to begin reducing or cease for petrol-powered light vehicles.*
- 4. Any policy documents explaining how motorists will avoid paying both Fuel Excise Duty and eRUC during any transition period.*
- 5. Any implementation timelines, milestones or staged rollout plans prepared for the transition.*
- 6. Any cost-benefit analyses, financial modelling, economic assessments or revenue modelling prepared in relation to the transition.*
- 7. Any advice provided to Ministers regarding the proposed increases to Fuel Excise Duty while planning the transition to eRUC.*
- 8. Any documents explaining the policy rationale for increasing Fuel Excise Duty before the transition to eRUC has been completed.*
- 9. Any documents identifying the assumptions, dependencies, prerequisites or risks associated with replacing Fuel Excise Duty with eRUC.*
- 10. Any documents identifying the expected date for completion of the transition from Fuel Excise Duty to eRUC for petrol-powered light vehicles.*
- 11. Any documents relating to public consultation undertaken regarding the transition from Fuel Excise Duty to eRUC.”*

On 28 July 2026, the Ministry sought clarification of part 2 of your request. In response, you advised:

“Advice provided to the Minister of Transport for his consideration as a possible path to transitioning to the new system.”

On 6 August 2026, the Ministry received a partial transfer from the New Zealand Transport Agency (NZTA) of another request you had made (reference OC260659), seeking the following information under the Act:

“3. Any documents explaining how motorists will transition from paying Fuel Excise Duty to paying eRUC.

4. Any documents explaining how motorists will avoid paying both Fuel Excise Duty and eRUC during any transition period.

8. Any modelling or assessments of the expected impacts of eRUC on motorists, including private motorists, commercial operators and rural communities.

9. Any documents identifying assumptions, dependencies or prerequisites that must be met before Fuel Excise Duty can be fully replaced by eRUC.

10. Any documents identifying the expected date for completion of the transition from Fuel Excise Duty to eRUC for petrol-powered light vehicles.”

On 18 August 2026, the Ministry advised you that the timeframe for responding to your original request was being extended under section 15A(1)(a) of the Act. The request necessitated a search through a large quantity of information, and meeting the original time limit would have unreasonably interfered with the operations of the Ministry.

We also advised that, due to the overlap of requested material, the information sought in the partially transferred request (reference OC260659) would be considered and responded to together with your original request.

Decision on release

The Ministry has identified 75 documents in scope of your request. The document schedule attached as Annex 1 outlines how the documents you requested have been treated under the Act.

Of the documents identified, five are being released to you in full, 45 are being released to you with some information withheld, and seven are withheld in full. Where applicable, information has been withheld under the following sections of the Act:

- | | |
|-------------|---|
| 6(b)(i) | as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government |
| 9(2)(a) | to protect the privacy of natural persons |
| 9(2)(ba)(i) | to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied |
| 9(2)(f)(iv) | to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials |
| 9(2)(g)(i) | to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty |

With regard to the information that has been withheld under section 9 of the Act, we are satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

18 documents are refused in full under section 18(d) of the Act as they are currently publicly available or will be published in the near future. Links are provided for each of these documents in Annex 1.

Transition planning and timing

The Government remains committed to transitioning the light vehicle fleet to RUC, and the overall direction of the programme has not changed from the staged approach announced in 2025. The current focus is on modernising and future-proofing the RUC system, establishing the supporting regulatory framework, and enabling a competitive market for RUC providers.

Cabinet is expected to review market readiness in 2027 and consider next steps, including a date for transitioning the light vehicle fleet to RUC. Subject to the passage of the Bill, the new framework will come into force six months after Royal Assent, after which time prospective RUC providers may apply to enter the market. This will provide Cabinet with a clearer understanding of market capability and readiness before decisions are made on the timing of the wider fleet transition.

Consistent with this approach, Cabinet has not yet made decisions on the detailed design or implementation of a fleetwide transition from FED to RUC. Matters such as who will be required to pay RUC, applicable rates, the compliance and enforcement approach, and how the transition will occur will be considered once there is a better understanding of the market response to the current reforms.

In response to your request, the Ministry has identified and provided information that describes the Government's high-level approach to the RUC transition programme and the indicative sequencing of reforms. However, because detailed policy decisions on a fleetwide transition have not yet been made, comprehensive transition plans and implementation timelines are unable to be provided.

Implications of the transition on FED

The Government has not made decisions on when FED would be reduced or removed as part of any future transition of petrol vehicles to RUC. Similarly, no decisions have been made on the detailed arrangements that would apply during any transition period.

Before any future transition is implemented, detailed policy work will be undertaken on transition design and associated revenue arrangements. This will include consideration of the mechanisms required to maintain a fair and workable charging system, including arrangements to manage the shift from FED to RUC and prevent road users from being charged twice for the same travel.

The increase to FED signalled through GPS 2024 was considered separately from decisions relating to a future fleetwide transition to RUC. The rationale for the increase was to support the long-term sustainability of the National Land Transport Fund and ensure sufficient revenue is available to maintain and improve the transport network.

Public consultation and engagement on RUC reform

Public consultation and market engagement have been an important part of the Government's work on planning for the transition. To date, the Ministry has undertaken two Requests for Information (RFIs) and two public consultation processes.

In late 2024, the Ministry undertook an open RFI process to understand the level of private sector interest in providing RUC services and to seek views on innovative, user-friendly, and automated payment solutions that could support a modernised RUC system. In early 2026, a second RFI sought market insights on the next steps for transitioning the wider light vehicle fleet to RUC, including an assessment of market readiness, the types of services that could be offered, and any barriers to implementation. Feedback from both RFIs has been used to inform ongoing policy development.

Public submissions on the Land Transport (Revenue) Amendment Bill were invited between November 2025 and January 2026, providing an opportunity for individuals and organisations to comment on the proposed legislative framework. The Ministry also consulted on proposed RUC regulations between May and June 2026, seeking feedback on matters including provider approvals, electronic distance recording, performance requirements, privacy protections, and alternative payment models.

Material being released to you includes summaries of, and themes emerging from, feedback received through consultation and engagement processes to date. Any future opportunities for public consultation will be published on the Ministry's website.

Other information requested

The decision to first modernise the RUC system before considering a fleetwide transition (see document 41) means that any preliminary work on transition design remains under active consideration. Accordingly, this information has been withheld under section 9(2)(f)(iv) of the Act, as reflected in the document schedule.

If you would like to discuss this decision with us, please do not hesitate to contact us at OIA@mcert.govt.nz.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz.

Please note that due to the public interest in our work, the Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on its website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Louise Hornabrook

Manager – RUC Transition

Ministry for Cities, Environment, Regions, and Transport

Annex 1: Document Schedule

#	Date	Reference	Title of Document	Decision on request	Notes/link
1	20/12/2023	OC230850	Briefing: Accelerating the Transition to Road User Charges	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
2	20/12/2023	OC230975	Briefing: Land Transport Revenue System	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
3	24/01/2024	n/a	A3: Action Plan to reform the land transport revenue system	Released with some information withheld under section 9(2)(f)(iv). Some information marked as out of scope.	
4	15/02/2024	OC240093	Briefing: Fleet-wide transition to road user charges	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
5	28/02/2024	OC240150	Briefing: Meeting with New Zealand Initiative	Released with some information withheld under sections 9(2)(a), 9(2)(f)(iv), and 9(2)(g)(i). Some information marked as out of scope.	
6	15/04/2024	n/a	Slide pack: Fleetwide transition workshop on 15 April 2024	Released with some information withheld under section 9(2)(f)(iv).	
7	19/04/2024	OC240243	Briefing: Fleet-wide transition to RUC for June 2024 report back	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv). Some information marked as out of scope.	
8	08/05/2024	n/a	Slide pack: Revenue potential of additional funding tools	Released with some information withheld under section 9(2)(f)(iv). Some information marked as out of scope.	
9	23/05/2024	OC240518	Briefing: Action plan to address key issues in land transport revenue	Released with some information withheld under sections 9(2)(a) and 9(2)(g)(i). Some information marked as out of scope.	

#	Date	Reference	Title of Document	Decision on request	Notes/link
10	23/05/2024	OC240518	A3: Land Transport Revenue Action Plan – For a fairer and more sustainable revenue system	Released with some information withheld under section 9(2)(f)(iv). Some information marked as out of scope.	
11	13/06/2024	OC240635	Briefing: Draft Cabinet paper Revenue Action Paper	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
12	24/07/2024	OC240822	Briefing: Proactive release of Revenue Action Plan Cabinet paper	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv). Some information marked as out of scope.	
13	26/08/2024	n/a	Slide Pack: Building Nations 2024 Infrastructure NZ – Building, funding and maintaining the roads of the future	Released in full.	
14	September 2024	n/a	Transition options for moving to RUC Sept 2024	Withheld in full under section 9(2)(f)(iv).	
15	September 2024	n/a	Key changes to the road user charges system for the fleet shift	Withheld in full under section 9(2)(f)(iv).	
16	06/09/2024	OC240635	Cabinet Paper: Land transport revenue action plan	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/Proactive-Release-Cab-Revenue-Action-Plan-for-web.pdf
17	12/09/2024	n/a	GPS 24 Proactive Release Documents 1-12	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/GPS-2024-Proactive-Release-Documents-1-12.pdf
18	12/09/2024	n/a	GPS 24 Proactive Release Documents 13-27	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/GPS-2024-Proactive-Release-Documents-13-27.pdf

#	Date	Reference	Title of Document	Decision on request	Notes/link
19	19/09/2024	OC241078	Briefing: First Draft Cabinet paper – Revenue – October report back	Released with some information withheld under section 9(2)(a). Some information marked as out of scope.	
20	09/10/2024	OC241185	Briefing: Meeting with Icelandic Minister of Finance	Released with some information withheld under sections 6(b)(i), 9(2)(a), and 9(2)(g)(i).	
21	09/10/2024	OC241161	Briefing: RUC Market Engagement	Released with some information withheld under section 9(2)(a).	
22	14/10/2024	OC241172	Briefing: Meeting of the Infrastructure and Investment Ministers Group	Released with some information withheld under sections 9(2)(a), 9(2)(f)(iv), and 9(2)(g)(i). Some information marked as out of scope.	
23	15/10/2024	n/a	SRG Meeting - Compliance and Enforcement Presentation	Withheld in full under section 9(2)(f)(iv).	
24	15/10/2024	n/a	Minister of Transport slides for RUC and Tolling IIMG Update	Released with some information withheld under section 9(2)(f)(iv). Some information marked as out of scope.	
25	15/11/2024	n/a	Request for Information (RFI) Road User Charges – Retail services	Released in full.	
26	15/11/2024	n/a	Request for Information (RFI) Road User Charges Retail services: Response form	Released in full.	
27	15/11/2024	n/a	Request for Information (RFI) Road User Charges – Retail services: Information memorandum	Released in full.	
28	27/11/2024	OC241339	Briefing: Cost Allocation Model and road user charges rates	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	

#	Date	Reference	Title of Document	Decision on request	Notes/link
29	06/12/2024	OC241190	Briefing: Transition to RUC: Initial advice for Cabinet report back	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
30	20/12/2024	OC241448	Briefing: RUC RFI Preliminary fundings	Released with some information withheld under section 9(2)(a).	
31	20/12/2024	OC241448	Slide pack: Summary of responses – RFI RUC – Retail services	Released with some information withheld under sections 9(2)(ba)(i) and 9(2)(f)(iv).	
32	January 2025	n/a	A3: Road User Charges Compliance and Enforcement	Withheld in full under section 9(2)(f)(iv).	
33	29/01/2025	n/a	Fleetwide transition to road user charges – current state and next steps	Released with some information withheld under section 9(2)(f)(iv).	
34	13/02/2025	OC250075	Briefing: RUC Transition work programme	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
35	13/02/2025	OC250006	Response to OIA Request for RFI Submission Copies	Released with some information withheld under sections 9(2)(a) and 9(2)(ba)(i).	
36	26/03/2025	OC250208	Briefing: Transitioning the fleet to road user charges – overarching policy choices	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
37	26/03/2025	OC250208	Briefing: Transitioning the fleet to road user charges – overarching policy choices – Annex – Transition of petrol vehicles to RUC	Released with some information withheld under section 9(2)(f)(iv).	
38	09/05/2025	OC250405	Briefing: Interim advice on revenue tools	Released with some information withheld under section 9(2)(a).	
39	30/05/2025	OC250462	Briefing: Next steps in transitioning all vehicles to road user charges first draft Cabinet paper	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	

#	Date	Reference	Title of Document	Decision on request	Notes/link
40	13/06/2025	OC250534	Briefing: Updated draft Cabinet paper on RUC transition	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
41	13/06/2025	OC250534	Cabinet paper: Next steps in transitioning all vehicles to road user charges	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/Transitioning-to-Road-User-Charges-Initial-Decisions_Redacted.pdf
42	03/07/2025	OC250574	Briefing: Modernising the system and preparing for the fleetwide transition	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
43	16/07/2025	OC250619	Briefing: Updated draft Cabinet paper - Modernising the system and preparing for the fleetwide transition	Released with some information withheld under section 9(2)(a).	
44	16/07/2025	OC250619	Cabinet paper: Modernising the system and preparing for the fleetwide transition	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/Road-User-Charges-Modernising-the-System-in-Preparation-for-the-Fleetwide-Transition_Redacted.pdf
45	16/07/2025	OC250619	Cabinet paper: Annex - RUC Regulatory Impact Statement: RUC retail market - enabling reforms	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/RUC-RIS-updated.pdf
46	22/07/2025	OC250569	Aide Memorie: Background and current state of road user charging policies and technologies	Released with some information withheld under section 9(2)(a).	
47	30/07/2025	OC250662	Briefing: Approval to proactively release RUC Cabinet papers	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
48	10/09/2025	n/a	Road User Charges Transition: Slides for All MoT	Released with some information withheld under section 9(2)(f)(iv). Some information marked as out of scope.	

#	Date	Reference	Title of Document	Decision on request	Notes/link
49	09/10/2025	OC250872	Briefing: Land Transport (Revenue) Amendment Bill - Approval for Introduction	Released with some information withheld under section 9(2)(a). Some information marked as out of scope.	
50	29/10/2025	OC250979	Briefing: Post-consultation Land Transport (Revenue) Amendment Bill Draft LEG Paper	Released with some information withheld under section 9(2)(a).	
51	12/11/2025	OC251033	Briefing: Transition to road user charging - Market engagement	Released with some information withheld under section 9(2)(a).	
52	19/11/2025	n/a	Request for Information (RFI) Road User Charges: Services for vehicle owners	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/RUC-Request-for-Information.pdf
53	19/11/2025	n/a	Request for Information (RFI) Road User Charges: Services for vehicle owners - Response form	Refused under section 18(d).	This document is available at: https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.transport.govt.nz%2Fassets%2FUploads%2FRUC-RFI-Response-Form.docx&wdOrigin=BROWSELINK
54	19/11/2025	n/a	Request for Information (RFI) Road User Charges: Services for vehicle owners - Information memorandum	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/RUC-RFI-Information-memorandum.pdf
55	December 2025	n/a	RUC Transition Policy Analysis Paper - Transition Approach	Withheld in full under section 9(2)(f)(iv).	
56	03/12/2025	OC251075	Aide Memoire: Public sentiment on road user charging	Released with some information withheld under sections 9(2)(a) and 9(2)(ba)(i).	
57	03/12/2025	OC251075	Aide Memoire: Public sentiment on road user charging - Attachment - Survey of public attitudes to RUC4All 2025-11-05	Withheld in full under section 9(2)(ba)(i).	

#	Date	Reference	Title of Document	Decision on request	Notes/link
58	03/12/2025	OC251088	Briefing: Land Transport (Revenue) Amendment Bill - Initial Briefing to Select Committee	Released with some information withheld under section 9(2)(a).	
59	03/12/2025	OC251088	Land Transport (Revenue) Amendment Bill - Initial Briefing to Select Committee	Refused under section 18(d).	This document is available at: https://www3.parliament.nz/resource/en-NZ/54SCTIN_ADV_d31385e9-dd9d-4cbd-c52d-08de22297aa7_TIN8234/10b8806802a20586847e1704f84909cb44ab2e7c
60	10/12/2025	n/a	Request for Information (RFI) Road User Charges: Services for vehicle owners - Information session	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/RFI-information-session-slides-10.12.25.pdf
61	10/12/2025	OC251040	Briefing: FED and RUC Increases - Further advice on timing and modelling	Refused under section 18(d).	Once proactively released the document will be made available on the Ministry's site here: https://www.transport.govt.nz/about-us/our-corporate-publications/proactive-releases/results
62	25/02/2026	OC260120	Briefing: RUC transition overview	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/FiveFebruaryBriefings.pdf (Document 4)
63	March 2026	n/a	Land Transport (Revenue) Amendment Bill - Departmental Report to the Transport and Infrastructure Committee	Refused under section 18(d).	This document is available at: https://www3.parliament.nz/resource/en-NZ/54SCTIN_ADV_d31385e9-dd9d-4cbd-c52d-08de22297aa7_TIN10253/236879bc2292ab621898613279b50c133a040a74
64	March 2026	n/a	Request for Information (RFI) Road User Charges: Services for vehicle owners – Key themes from responses	Refused under section 18(d).	This document is available at: https://www.transport.govt.nz/assets/Uploads/RFI-Road-User-Charges-Services-for-Vehicle-Owners-Key-themes-from-responses.pdf

#	Date	Reference	Title of Document	Decision on request	Notes/link
65	May 2026	n/a	Presentation: Discontinuing FED	Withheld in full under section 9(2)(f)(iv).	
66	18/05/2026	OC260374	Briefing: Consultation on Road User Charges Regulations	Released with some information withheld under 9(2)(a) and 9(2)(f)(iv).	
67	18/05/2026	OC260374	Proposals for regulations under the Land Transport (Revenue) Amendment Bill: Consultation on requirements for road user charges	Refused under section 18(d).	This document is available at: https://consult.transport.govt.nz/policy/proposed-regulations-for-road-user-charges/user_uploads/road-user-charges-regulations-consultation-document.pdf
68	21/05/2026	OC260386	Briefing: Land Transport (Revenue) Amendment Bill - Amendment Papers	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv). Some information marked as out of scope.	
69	30/06/2026	OC260521	Briefing: Road user charges regulations - Agreement to consult on draft Cabinet paper	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	
70	30/06/2026	OC260521	Draft Cabinet Paper - Modernising the road user charges system – regulations and report back	Released with some information withheld under section 9(2)(f)(iv).	
71	07/07/2026	n/a	RUC Transition Presentation @ T-Tech 2026	Released in full.	
72	15/07/2026	n/a	Submissions on Regulations for Road User Charges - Summary for Minister's Office	Refused under section 18(d).	To be published on the Ministry website once reviewed and approved by the Minister.
73	22/07/2026	OC260604	Briefing: Cabinet Paper - Modernising the road user charges system – regulations and report back	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).	

#	Date	Reference	Title of Document	Decision on request	Notes/link
74	22/07/2026	OC260604	Cabinet Paper - Modernising the road user charges system – regulations and report back	Refused under section 18(d).	Once proactively released the document will be made available on the Ministry's site here: https://www.transport.govt.nz/about-us/our-corporate-publications/proactive-releases/results
75	30/07/2026	OC260605	Briefing: Road User Charges Amendment Paper for Committee of the Whole	Released with some information withheld under section 9(2)(a).	



20 December 2023

OC230850

Hon Simeon Brown

Action required by:

Minister of Transport

Tuesday, 23 January 2024

ACCELERATING THE TRANSITION TO ROAD USER CHARGES

Purpose

This paper provides you with key considerations and phasing options to replace fuel excise duty (FED) with road user charges (RUC).

Key points

- The RUC system is forecast to generate \$1,879 billion in 2023/24. This represents 47 percent of the total revenue collected for the National Land Transport Fund (NLTF).
- The Government has committed to work to move all vehicles, starting with electric vehicles, to electronic RUC (eRUC). Cabinet has agreed to let the RUC exemption for electric vehicles expire on 31 March 2024, so the future steps would require replacing FED (forecast to generate \$1,866 billion in 2023/24) with RUC, and eventually moving all vehicles on to eRUC.
- There are a range of timing options associated with moving to eRUC. An accelerated transition (i.e. transition all vehicles into the eRUC system on a set date) provides certainty and concentrates technical and implementation risks into a short period. A slower transition (i.e. a phased transition of specific petrol vehicle types into the eRUC system) allows risks to be managed over time, but may be more complex to administer and would delay the longer-term benefits that could come from a more advanced charging system.
- There are matters to consider when weighing up phasing options, including:
 - benefits for moving all vehicles to RUC (whether paper based or eRUC) are that road users would contribute to the system equitably, and represents the first step towards adopting a more advanced road charging system
 - a cost effective universal eRUC system creates opportunities to adopt advanced road charging
 - FED will continue to become less equitable as fuel economy of vehicles improves
 - FED is very easy for the public to comply with and understand, and has low administrative costs, and it will remain an efficient and effective tool for revenue collection even as more vehicles switch to RUC.

- a wholesale shift to RUC will not, by itself, generate additional revenue but provides opportunities to introduce additional fair and transparent ways to collect revenue.
- a cost benefit analysis should be undertaken of RUC options to understand their implications – this will help inform judgements about whether to facilitate a transition using a hybrid model of paper based RUC and eRUC, or whether to make a wholesale shift towards a universal eRUC system.
- A cost-effective universal eRUC system should provide the platform for adopting advanced time and location road pricing. It will be important to ensure that the use of any transitional revenue tools and electronic systems do not crowd out or delay broader, longer-term reforms.

Recommendations

We recommend you:

1. **agree** to meet with officials to discuss the timing of a transition to electronic RUC Yes / No



David Wood
Deputy Chief Executive, Investment
and Monitoring

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
David Wood, DCE Investment & Monitoring	s 9(2)(a)	
Matt Skinner, Manager Revenue		✓
Carolina Durrant, Principal Adviser Revenue		

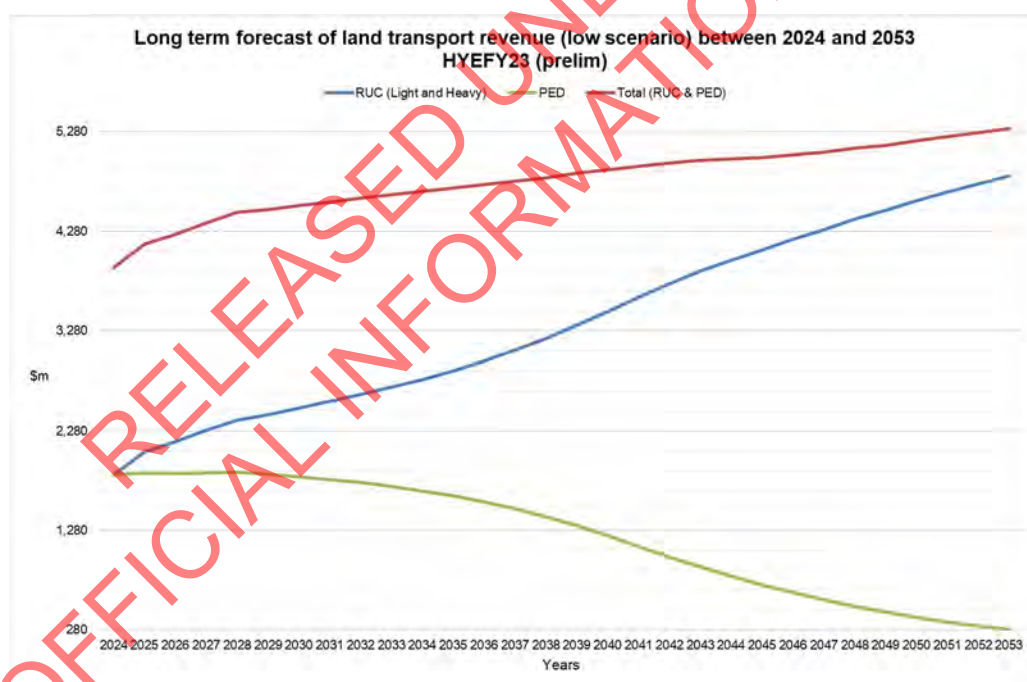
ACCELERATING THE TRANSITION TO ROAD USER CHARGES

Fuel excise duty (FED) and road user charges (RUC) are the two main revenue sources of the National Land Transport Fund (NLTF)

- 1 The NLTF is made up of revenue from:
 - 1.1 fuel excise duty (FED) — \$1,866 billion forecast for 2023/24
 - 1.2 road user charges (RUC) — \$1,879 billion forecast for 2023/24 (around 60 percent collected from heavy vehicles, 40 percent from light vehicles)
 - 1.3 motor vehicle registration and licensing fees (MVR) — \$232 million forecast for 2023/24

Changes in the vehicle fleet and improved fuel efficiency impacts FED but does not impact on RUC

- 2 The sustainability of our revenue system depends on the future make-up of our fleet, which is uncertain. The revenue forecast¹ indicates that without any rate increases, revenue from FED will start to decline by 2028 due to the increasing uptake of electric vehicles and fuel-efficient vehicles entering the petrol fleet (refer Figure 1).



- 3 It is likely that the eroded revenue will be largely, but not fully offset by increased revenue from light vehicles subject to RUC.
 - 3.1 As our fleet shifts from petrol to electric, we will see a shift from FED to RUC. From 1 April 2024, owners of light electric vehicles (EVs) will pay RUC as Cabinet has agreed that the current exemption will expire.

¹ This forecast includes assumptions about travel growth and population growth but does not include any tax increases.

- 3.2 As the fuel efficiency of petrol vehicles improves, the FED rate will need to be increased faster to ensure the average petrol vehicle is subject to the same FED as the light RUC rate. Increased costs would be borne disproportionately by less fuel-efficient vehicles. Moving all vehicles to RUC reduces this risk.

We have been considering a wholesale shift to RUC

- 4 The Ministry has been exploring the feasibility of replacing FED with RUC. Our RUC system, despite being 45 years old, is considered world-leading and has positioned us well for the fair charging of electric vehicles. There is an opportunity to take that further by applying it to all vehicles, which could lead to more equitable outcomes for light vehicle owners and remove current inconsistencies from the dual system.
- 5 Adopting system-wide electronic RUC (eRUC) could lay the foundation for policies to capture the full cost of road use, including pricing for negative externalities such as congestion. Depending on the extent of time and location data collected, this could improve the evidence base for making smarter transport investments.
- 6 In this briefing, we primarily focus on the feasibility of designing and implementing an electronic distance-based charging tool as the main source of revenue collection for the NLTF. No other country has successfully implemented a national electronic distance-based charge as a replacement for fuel tax, so there is no international reference point to draw on.
- 7 We propose to progress building the evidence base to assess RUC options through a cost benefit analysis, modelling and quantifying financial impacts.
- 8 Our investigation, thus far, has involved stakeholder engagement of an exploratory and informal nature – we have received feedback on different aspects from the Office of the Privacy Commissioner, existing eRUC electronic service providers (ESPs), fuel, telecoms and electricity retailers and key transport industry stakeholders (e.g. AA, and industry associations).
- 9 Background information on the RUC system is provided in **Appendix 1**.
- 10 A potential timeline showing high level dependencies is provided in **Appendix 3**.

Accelerating the transition to RUC improves fairness, efficiency and land transport revenue sustainability

- 11 Transitioning from FED to RUC at an accelerated pace will naturally improve fairness in the land transport revenue system, facilitate better land transport revenue sustainability, and facilitate the transition to more advanced variable road-based pricing systems.

FED and RUC are not comparable charging tools, leading to a lack of 'fairness' in the land transport revenue system

- 12 Transitioning to RUC reduces inequities in the land transport revenue system. Road users currently pay different amounts for travelling the same distance in the same car depending on whether they pay RUC or FED. **Appendix 2** provides you with examples of the difference in FED and RUC for some common petrol cars. Distance travelled (RUC) is a fairer way of charging than fuel consumption (FED) (e.g., due to differences in fuel efficiency, etc.).

s 9(2)(f)(iv)

In addition to the clear advantages, there are considerations associated with accelerating a move from FED to RUC

- 17 There are some features of RUC that we would need to address when accelerating a move from FED to eRUC, including:
 - 17.1 **administration costs** — paper-based RUC administration requires at least 1.5 percent of revenue, while FED administration requires much less at 0.04 percent. Some increase in costs would be inevitable, but we need to explore ways to gain better efficiencies in the RUC system.
 - 17.2 **compliance** — FED is almost impossible to evade or ignore while non-compliant RUC vehicles can drive on the road. RUC compliance is checked

during a vehicle's warrant of fitness check that records the odometer reading (once a year for most light vehicles, but every three years for a new vehicle). eRUC, with a well-designed system, is also difficult to avoid.

- 17.3 **electronic platforms are expensive for vehicle users** — transitioning to eRUC would reduce the administrative burden associated with paper-based RUC. However, the current eRUC systems are reliant on the installation of devices in vehicles, and this comes with high installation and running costs. Accordingly, a major challenge is sourcing an electronic platform that is a cost-effective choice for households and small businesses.

- 17.4 **there are privacy implications** and risks inherent s 9(2)(f)(iv)

Turning off FED has repercussions outside of NLTF revenues

- 18 One of the more difficult to manage aspects in transitioning to any new system is how and when to turn off FED. As well as issues over revenue stability noted above, there are several practical implications to consider, including:
- 18.1 other petrol users paying FED — petrol used in recreational maritime and aviation is crudely estimated to generate around \$170 million per year in FED. Search and rescue, recreational boating safety, and aviation activities receive funding via the NLTF to reflect part of this contribution, but would need funding from elsewhere if FED is turned off
- 18.2 other charges on petrol — there are several additional charges that are collected at the same time and 'piggy-back' on the existence of fuel excise duty, for example, the 6 cents per litre ACC levy on petrol.
- 19 Some of these other charges may be relatively easily recovered on a distance basis, but will need to be factored into our considerations and costings.

Options for transitioning the petrol fleet to RUC

- 20 There are a range of transition timing options. Fast transitions provide certainty and concentrate technical and implementation risks within a short period. Slower transitions allow risks to be managed over time. Ideally, we should aim for any transition to be smooth and seamless.
- 21 To our knowledge, no country has transitioned all vehicles to a distance-based (let alone an electronic) charge. Our transition from diesel tax to RUC in 1977 remains a leading example of a successful large-scale transition from fuel-based to distance based-charging.
- 22 We have identified two transition options as illustrative examples to highlight some of the considerations that would be required in the transition from FED to RUC.

Option	Timing	Matters to further investigate
1. All vehicles are required to purchase electronic RUC, FED is removed Mandate or incentivise the purchase of an electronic RUC licence for all road registered vehicles by a set date and cease FED on that date.	There is flexibility on the timing of the transition date. We anticipate that the fastest implementation approach would enable a transition in a few years, but we would work with agencies to develop a detailed implementation plan.	<i>A same-day transition would concentrate technical and implementation risks into a single day and reduce administrative complexity associated with a phased approach.</i> - Sufficient time for planning, communication, and system/enforcement improvements, but short enough to ensure momentum. Engaging with partner agencies on realistic timeframes. - FED refunds for fuel companies for petrol imported but not sold before the end of the FED period. - Ability of system to manage volumes, and enforcement system to manage non-compliance risks. Comms and active enforcement would be required to support implementation.
2. A phased approach with electronic RUC for selected vehicles Require specific road registered vehicle types to obtain an electronic RUC licence by a set date. This could include new vehicles only for example.	Transition over several years. Likely a few years to be initiated but we will work with agencies on a detailed implementation plan. Could involve a number of discrete phases to bring the entire vehicle fleet onto RUC. E.g. (1) all newly registered vehicles (2) fuel inefficient petrol vehicles.	<i>An incremental transition has smaller risks at each step but may involve complex and costly refunds for road users.</i> - The process of claiming refunds for FED paid on petrol would introduce additional complexity and inconvenience for users. Administering large scale refunds would place a substantial administrative burden on NZTA. - NZTA refund system would likely need a substantial upgrade to handle the additional volumes. Given that FED may ultimately be phased out, the value for money proposition of investing in the improvement and modernisation of the refund system may be low.

Next steps

- 23 Transitioning all vehicles to eRUC has medium to long-term benefits, particularly in terms of providing a more sustainable source of land transport revenue and a platform for more sophisticated charging incorporating location and time variables in the future. However, an electronic system would also require all movements on the network to be tracked, presenting some privacy, installation, and ongoing operational cost challenges that will need further investigation.

Report back to Cabinet on fleet-wide transition to RUC

- 24 On 18 December 2023, Cabinet “invited the Minister of Transport to report back on options to progress the fleet-wide transition to RUC” [CAB-23-MIN-0494].
- 25 We are keen to discuss your preference to how we focus the report back, including your initial views on timing for any transition, and the focus areas for the Ministry and NZTA’s upcoming work to progress towards a transition. As the Cabinet Minute does not specify a date for the report back, we also seek a steer from you around when you would like to take it to Cabinet, and to which committee.

The Ministry and NZTA will further investigate and work to progress towards a transition

- 26 **Appendix 3** sets out an indicative timeline of the work required, should you and Cabinet wish to proceed with a transition of RUC for all vehicles. Key steps will include:

26.1 providing you with further advice around possible transition options

- 26.2 undertaking trials and/or pilots of possible solutions (particularly relevant for electronic RUC)
 - 26.3 engaging with key government agencies and stakeholders on the details and issues relating to the transition
 - 26.4 undertake detailed system design (e.g. who operates the technology for eRUC, how can the data be used)
 - 26.5 exploring measures to a smooth transition
 - 26.6 undertaking a detailed cost-benefit analysis
 - 26.7 identifying efficiencies in the RUC administration process to ensure a more efficient, lower cost, and more user-friendly service for people purchasing RUC
 - 26.8 revisiting RUC legislation in light of the findings from the above work to ensure that it is fit for purpose.
- 27 While we have already undertaken some public engagement, it may be helpful to engage further with the public as we progress the work above. The transition options outlined in this paper present our views, but stakeholders may be able to identify other options. Public engagement also provides additional avenues for industry and electronic service providers to be involved.

Appendix 1 – Overview of the RUC system

FED and RUC account for most land transport revenue

- 1 The Government collects approximately \$4 billion a year from FED, RUC, and motor vehicle registration and licencing:
 - a. FED on petrol used by about 3.5 million vehicles (around 74 percent of the total fleet) accounts for \$1.9 billion of the total revenue from road users.
 - b. RUC on:
 - i. 230,000 heavy vehicles (less than 4 percent of all vehicles) accounts for \$1.1 billion of land transport revenue
 - ii. 950,000 light diesel vehicles (19 percent of all vehicles) accounts for \$700 million of land transport revenue.
 - c. Motor vehicle registration and licencing fees, an annual fee paid by all light vehicles, accounts for another \$230 million in land transport revenue.
- 2 RUC will also be paid by 105,000 electric vehicles (EVs) from 1 April 2024 (increasing the number of vehicles paying light RUC by almost 17 percent) accounting for an anticipated \$55–\$86 million per year in land transport revenue.
- 3 Total revenue from road users for land transport between 2010/11 and 2020/21 has increased on average by about 4 percent annually. This has been largely due to adjustments in the rates of FED and RUC, along with some population growth, and people driving more.

The RUC system's focus is cost recovery and was originally designed to account for heavy vehicles' disproportionate impact on the road pavement.

- 4 The RUC system recovers a range of financial (not economic) costs.
- 5 As a cost recovery system, all expenses related to the improvement, upkeep, and operation of the national land transport system (excluding local authority cost and Crown contributions) are categorised and allocated among different vehicle types using a cost allocation model.
- 6 The cost allocation model assigns weight-related road wear expenses primarily to heavy vehicles. Expenses related to “space” and “common costs” that encompass activities benefiting all road users, including public transport, are allocated equally to all vehicles. In short, the rates are designed to ensure that all vehicle types pay in proportion to use and impact on the land transport network.
- 7 Despite differences in size and weight among light vehicles, their impact in terms of wear and tear on road pavement is minor, unlike the disparity seen between medium-sized and very large trucks. An SUV or a ute does very little damage to the road network compared to even a medium-sized truck, which is why all light vehicles under 3.5 tonnes are all subject to the same RUC rate. Furthermore, the majority of the

financial costs that relate to road maintenance and damage resulting from vehicle weight are allocated to heavy vehicles, as they are the primary contributors to pavement wear and tear.

- 8 In contrast to the one-rate of excise duty for petrol, the RUC system has a tiered rate structure of 81 vehicle types comprising close to 100 individual rates (excluding additional and specialist vehicles, and sometimes different weight bands).
- 9 RUC plays a pivotal role in influencing vehicle purchasing and design decisions within the heavy vehicle fleet. Heavy vehicle operators often opt for configurations with multiple axles to qualify for a lower-cost RUC rate, reflecting the reduced impact of the vehicles on the road pavement. While there are opportunities to refine the RUC system and reduce averaging, this could introduce more complexity into the system.

Key trends impacting land transport revenue from FED and RUC

- 10 The relative proportion of land transport revenue that is collected from RUC and FED depends on the type of light vehicle that is driven on the road. For example, because electric vehicles are projected to increase as a proportion of the total fleet, the proportion of land transport revenue raised from RUC is also projected to increase (although EVs are only just under 2 percent of the light vehicle fleet now, by 2037 there could be one million EVs on the road).
- 11 Other examples of key trends include:
 - a. an observed increase in the proportion of diesel vehicles in the light vehicle fleet (7% in 2000 to 19% in 2022) resulting in an increase in the number of vehicles that pay RUC.
 - b. rapid growth in the size of the light vehicle fleet over the last 20 years (from 0.65 vehicles capita in 2001 to 0.81 in 2021) and increased distance travelled by private vehicles (8,500 kilometres per person in 2001 to around 9,500 kilometres per person in 2018).
 - c. fuel efficiency improvements have been modest (around 0.5 percent per year) and the average age of a vehicle when it exits the New Zealand fleet is relatively old compared to internationally, between 16 to 20 years.

Appendix 2: Current light vehicle taxes and charges

December 2023

Vehicle type	Current FED/RUC charges per year (\$ inc GST)	Proposed FED/RUC charges per year (\$ inc GST)
Light petrol vehicles	Fuel excise duty* - Average vehicle (9L/100km) 797 - 2015 Toyota Aqua (hybrid) (3.9L/100km) 345 - 2023 Suzuki Swift (hybrid) (4.6L/100km) 408 - 2022 Mitsubishi Outlander (8L/100km) 709 - 2007 Toyota Rav4 (9.3L/100km) 824 - 2006 Mazda 3 (9.4L/100km) 833 - 2014 Kia Carnival people mover (12.9L/100km) 1,143 - 2003 Holden Commodore V8 (16.4L/100km) 1,453	Fuel excise duty* - Average vehicle (9L/100km) 797 - 2015 Toyota Aqua (hybrid) (3.9L/100km) 345 - 2023 Suzuki Swift (hybrid) (4.6L/100km) 408 - 2022 Mitsubishi Outlander (8L/100km) 709 - 2007 Toyota Rav4 (9.3L/100km) 824 - 2006 Mazda 3 (9.4L/100km) 833 - 2014 Kia Carnival people mover (12.9L/100km) 1,143 - 2003 Holden Commodore V8 (16.4L/100km) 1,453
Light diesel vehicles	All light diesel vehicles (including utes, vans etc) pay road user charges. 836	All light diesel vehicles (including utes, vans etc) pay road user charges. 836
Electric vehicles	Not currently subject to any fuel excise duty or road user charges 0	Subject to the light RUC rate of \$76 per 1,000 kilometres 836
Plug-in hybrid vehicles (PHEVs)	Fuel excise duty on any petrol purchased - Low petrol use** real-world estimate (2.86L/100km) 253 - Higher petrol use*** real-world estimate (4.5L/100km) 399 - Manufacturer estimates (1.5L/100km, unlikely to be realistic in the real world) 133	Subject to a partial road user charges rate of \$53 per 1,000 kilometres + fuel excise duty on any petrol purchased - partial road user charges + low petrol estimate (2.86L/100km) 836 - partial road user charges + high petrol estimate (4.5L/100km) 982 - partial road user charges + manufacturer petrol estimate (1.5L/100km) 716

* The L/100km estimates for petrol vehicles are based on factory-tested manufacturer claimed rates. Real world rates will almost always be higher, depending on use and the vehicle's age and condition.

** The "low petrol use" real-world estimate for PHEVs is likely to be a city-commuter with limited longer trips. Basic testing by Consumer NZ in 5 PHEVs (driving from Lower Hutt to Wellington and back 5 days per week, a run to the supermarket, and one trip over the Remutaka hill), found petrol use was 1.5–3.5 L/100km.

*** The "higher petrol use" real-world estimate for PHEVs is likely to be a user driving longer distances and charging less regularly.

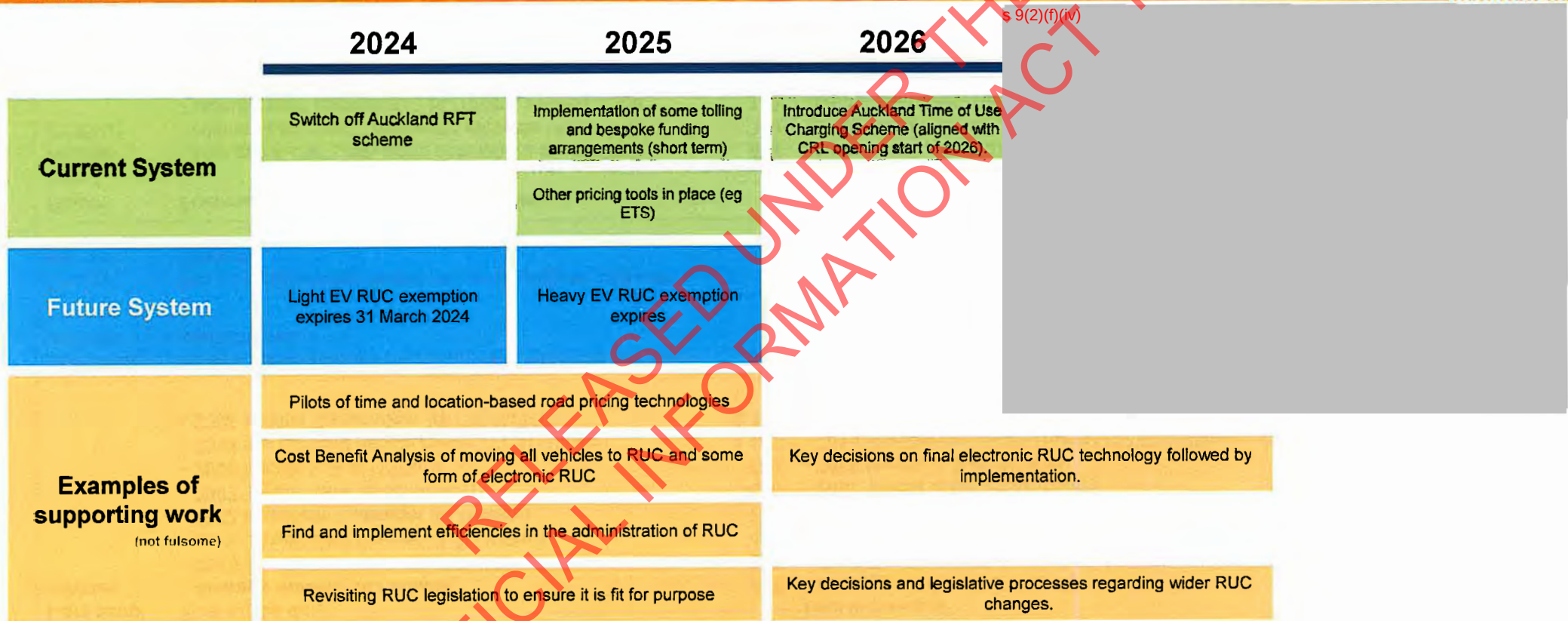
Notes to table:

- There is also 10.4 cents per litre (GST exclusive) excise on CNG and LPG. Very few vehicles use these fuels, so they have not been included in the table.
- The numbers above assume average distance travelled of 11,000km per year for all vehicles.
- The road user charges exemption for light electric vehicles expires at the end of 31 March 2024. The exemption for heavy electric vehicles does not expire until the end of 31 December 2025.

Appendix 3: Work to replace fuel excise taxes with electronic road user charging for all vehicles, starting with electric vehicles.

Indicative Timeline

December 2023



Transitioning from FED to RUC at a faster pace than would occur 'naturally' improves fairness in the land transport revenue system, facilitates better land transport revenue sustainability, and enables a transition to advanced efficient variable road-based pricing systems.



There are options regarding a phased transition versus a wholesale transition that are not included in this high level A3.



20 December 2023

OC230975

Hon Simeon Brown

Action required by:

Minister of Transport

Tuesday, 23 January 2024

LAND TRANSPORT REVENUE SYSTEM

Purpose

This briefing provides you with information on the land transport revenue system to support your land transport revenue planning, and to highlight longer-term opportunities.

Key Points

- All land transport revenue goes into the National Land Transport Fund (NLTF), the primary funding source for investment in the land transport system. Since 2021, NLTF revenue has been lower than required to deliver the government's land transport investment priorities. Key drivers have included high investment ambitions, coupled with decisions to not increase transport taxes and charges.
- There has been greater use of Crown funding and loans to ensure investment priorities are met. However, this creates future funding pressures on the system.
- NLTF revenue is forecast to continue to grow modestly over the next ten years. However, it will only keep pace with inflation and the increasing size of the overall land transport programme through a combination of productivity initiatives, reduced regulatory burdens, higher taxes and charges, and utilisation of alternative financing sources.
- Achieving your investment objectives, along with your broader ministerial priorities, will necessitate careful consideration of land transport revenue settings. We are interested in discussing your revenue system and road pricing priorities, including, but not limited to:
 - o potential opportunities to deliver streamlined, enabling road pricing legislation. For example, exploring the need for new time-of-use/congestion charging legislation and/or relaxing the constraints on tolling legislation to include, for example, the tolling of existing roads.
 - o implementing your commitment to work to replace fuel excise duty with electronic road user charging for all vehicles. This transition, alongside road pricing legislation, could serve as a bridge toward a more sophisticated, nationwide rollout of time and location-based charging.

Recommendations

We recommend you:

- 1 **agree** to meet with officials to discuss your priorities for the land transport revenue system.

Yes / No



David Wood
Deputy Chief Executive, Investment
and Monitoring

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
David Wood, Deputy Chief Executive, Investment and Monitoring	s 9(2)(a)	
Matt Skinner, Manager Revenue		✓
Carolina Durrant, Principal Advisor Revenue		

LAND TRANSPORT REVENUE SYSTEM

Land transport is funded by users, ratepayers and taxpayers

- 1 Road and rail users are the primary revenue source for the land transport system. The following table sets out the key land transport revenue sources for central government. **Appendix One** contains more information on the costs and benefits of these tools.

Table 1: Key land transport revenue sources

	Description	Scale of revenue collected
Fuel Excise Duty (FED)	Cents per litre on petrol (70c/l), compressed natural gas (CNG) (10.5c/l) and liquefied petroleum gas (LPG) (10.4c/l)	\$2.1 billion per year 3.5 million vehicles
Road User Charges (RUC)	Distance-based charge for all vehicles over 3.5 tonnes and all vehicles that do not pay FED (mostly diesel, but also electric) (\$76/1000km inc GST for light vehicles, \$672/1000km inc GST for a 3-axle heavy vehicle with a 4-axle trailer)	\$1.9 billion per year 900,000 light diesel vehicles and 180,000 heavy vehicles
Motor Vehicle Licencing Fees (“rego”)	Charged annually as an access fee for someone to use their vehicle on the network. Includes a fixed NLTF component of \$43.50 per vehicle (plus a separate ACC component that varies depending on vehicle type)	\$230 million per year (plus ACC revenue)
Track User Charges	Payable by users of the rail network to partially cover the cost of maintaining tracks and other rail infrastructure.	\$21 million per year

- 2 Revenue from these sources is dedicated (hypothecated) for land transport purposes into the National Land Transport Fund (NLTF) and allocated nationally by NZ Transport Agency Waka Kotahi (NZTA).
- 3 NLTF revenue is spent as it is collected, known as PAYGO (“pay as you go”). Money raised in a single year is spent in that year on investments determined by NZTA, based on the Government’s direction provided through the Government Policy Statement on land transport (GPS). This limits spending to the level of incoming revenue and requires investments to be prioritised to those with the highest benefit.
- 4 New Zealand’s system is known as modified PAYGO because it has become an increasingly stretched concept with the NLTF now reliant on borrowing to pay for a significant proportion of activity. Dependent on Government decisions NZTA could hold up to \$7–8 billion of debt in future years. Over the term of the next GPS 2024–27, debt repayments are expected to absorb over \$2.7 billion of NLTF revenue.

The Crown has also provided direct funding, and financing arrangements have been used

- 5 In recent years, governments have agreed to provide additional sources of funding and financing to support the delivery of their priorities. This includes, for example, public private partnership (PPP) arrangements for Transmission Gully and Pūhoi to Warkworth, and Crown contributions through the Provincial Growth Fund or loans to bridge immediate gaps between planned expenditure and expected revenue.

Local government is also a key contributor to land transport

- 6 Around 70 percent of local government's spend on transport (\$1.3 billion per year) attracts subsidies from the NLTF¹, at an average matching rate of 53 percent, known as the funding assistance rate (FAR). Land transport spending by local authorities (\$1.8 billion a year) comes from a range of sources, primarily through property owner contributions through rates (\$1.5 billion a year) with smaller inputs from development contributions (\$100 million a year) and funds raised from transport users through public transport fares (\$130 million a year).
- 7 **Appendix 1** provides a description of current land transport revenue tools.
- 8 **Appendix 2** provides a description of funding and financing tools.
- 9 **Appendix 3** provides international examples of land transport revenue systems.

The land transport revenue system is facing pressure

- 10 The current land transport revenue system has provided a stable and increasing stream of revenue as the population has grown and as vehicle kilometres travelled (VKT) has increased. Road users pay for the direct costs of the roading network but have not faced the costs of externalities such as noise, pollution, or congestion.

The Ministry is a forecasting department, producing forecasts for land transport revenue that feed into the Treasury's Economic and Fiscal Updates and Baseline Updates.

- 11 The land transport revenue forecast is grounded in macroeconomic indicators and has demonstrated a consistent track record of reliability. We will keep you informed of revenue forecasts as they are updated.
- 12 Overall land transport revenue will continue to grow over the next ten years, but without large increases in FED and RUC rates, it is unlikely to keep pace with the increasing size of the overall land transport programme.
- 13 Towards the end of the 2020s, we expect revenue from FED will begin to decline. This is due to improved fuel efficiency, continuing increases in public transport patronage, and a projected increase in electric vehicles within the New Zealand fleet. The time and scale of the decline in revenue from FED will be influenced by the Government's approach to the implementation of advanced time and place road pricing, the transition of all vehicles to RUC, and emissions reduction initiatives. Under current settings, much of the decline in FED revenue will be offset by an increase in RUC (due to uptake of electric vehicles, for example).

¹ The rate of subsidy, known as the funding assistance rate (FAR), varies by region to reflect the ability of councils to raise local share (e.g., 51 percent in Wellington and Auckland, 75 percent in Wairoa).

There is an emerging gap between the level of revenue collected and the level of investment required to maintain the existing land transport system and deliver improvements.

- 14 In recent times the NLTF funding has been less than what is needed to fund investment ambitions, which has resulted in more use of Crown funding and loans. There is a widening gap between revenue collected and investment. Figure 1 below shows total Crown revenue (including budget appropriations and indicated expenditure). With Budget 2024 allowances likely to be constrained, the Ministry is investigating opportunities to reprioritise existing funding towards higher priority initiatives, and to find savings.

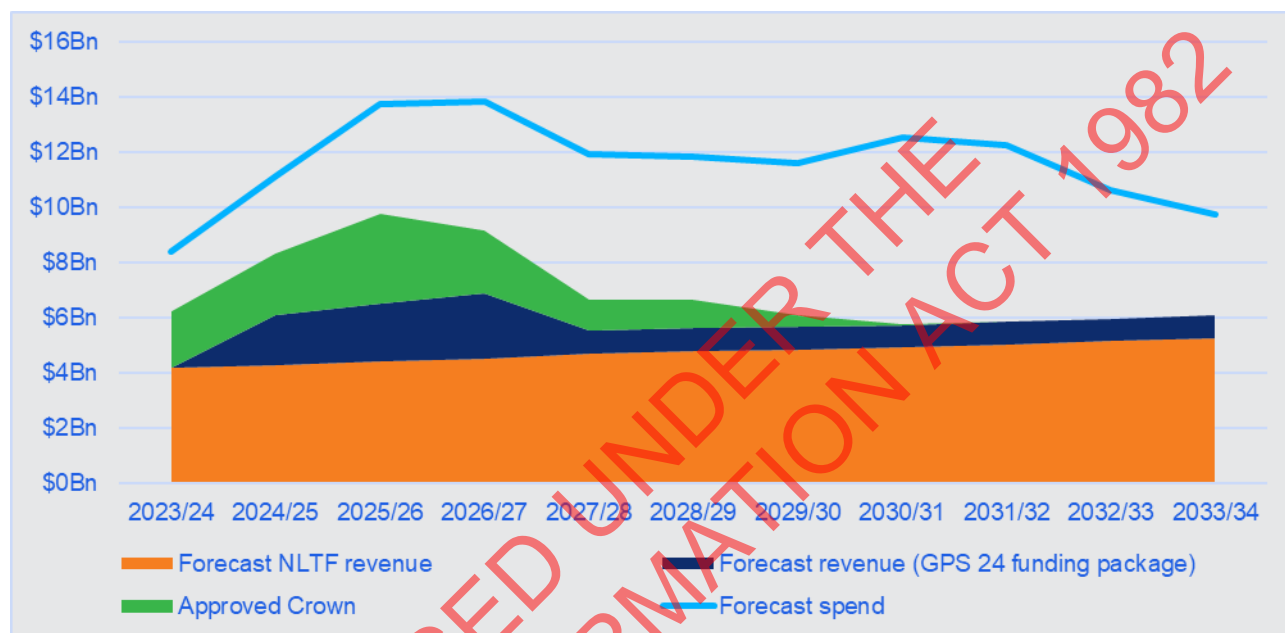


Figure 1: Forecast total expenditure and revenue for land transport (Crown and NLTF)

Source: Ministry of Transport

You have a pivotal role in shaping the funding and expenditure for land transport

- 15 As the Minister, you set the Crown's overarching strategy for land transport investment by issuing a GPS. Confirming your priorities in the GPS 2024 will require careful consideration of land transport revenue settings.

The are short-term decisions to make to support the development of the GPS to provide a clear revenue pathway for 2024–27 and allow you to meet your manifesto commitments.

- 16 Key revenue tools that can impact revenue in the short term, mostly relate to FED and RUC, given they are already in place, and are large sources of revenue where small changes can result in material impacts. Other tools are unlikely to provide a material amount of funding in the short term because they have limitations within the existing system (such as tolling, which under the current legislative framework is only possible to support funding for new roads), or because they still need to be developed (such as time-of-use charging).

- 17 Given the link between the revenue and investment systems, there are many investment levers (such as improving value for money and productivity) that will impact the level of revenue needed, in both the short and long term. In addition, demand management tools such as congestion charging can influence demand and change the need for new infrastructure (but won't raise much additional revenue). These issues will be covered across our upcoming investment and revenue advice.
- 18 **Appendix 4** provides you with a more detailed overview of tolling, RUC and congestion charging.

Longer term options to ensure a sustainable land transport system

- 19 The immediate gap between projected revenue and expenditure will continue to worsen if not addressed in a way that ensures the land transport revenue system is sustainable into the future. This will need to be informed by a clear picture of ambition for the system, how much of this will be achieved through investment or other levers such as demand management, and choices about the levels of expenditure that are reasonable.
- 20 The land transport system already has a purpose defined in the Land Transport Management Act 2003: "an effective, efficient, and safe land transport system in the public interest". The purpose of the revenue system is to fund the land transport system. As we progress development of future advice, it would be useful to have a more specific purpose for what the revenue system is seeking to achieve. We propose:
- 20.1 The **primary purpose** is to raise revenues efficiently and effectively in an acceptable, financially sustainable, and equitable way.
- 20.2 A **secondary purpose** is to incentivise efficient and safe use of the land transport system, including through making the best use of existing assets and networks.
- 21 We will soon be providing you with further advice on the following revenue issues.

The role of road pricing alternatives including tolling and time-of-use pricing

- 22 Road pricing encompasses a broad range of tools that can vary depending on the primary objectives (e.g. revenue gathering versus congestion relief).
- 23 We are interested in discussing your road pricing priorities, because what you want to achieve could strongly change our recommended approach. For example, if you are seeking to target congestion alone, the draft Congestion Charging Bill might be fit for purpose as a first step, but if revenue generation is also a priority, extending the current tolling framework could provide opportunities to both increase revenue and reduce congestion.
- 24 It will be important that any initial steps take us towards, or are consistent with, the desired future land transport revenue system ^{s 9(2)(f)(iv)} [REDACTED]. Our advice will seek to ensure that adopting variety of revenue tools and electronic systems in the short term doesn't crowd out broader, longer-term reforms.

The transition of all vehicles to road user charges (OC230850 refers)

- 25 As part of the decisions on shifting electric vehicles to RUC, Cabinet invited you to report back on options to progress the fleet-wide transition to RUC. You have committed to start work on the shift from FED towards electronic RUC.
- 26 Petrol vehicles currently account for approximately 80 percent of the fleet, so a move to RUC (and electronic-RUC) would be a large logistical task and would test both the legislation and broader systems that are currently in place. Transitioning all vehicles to an electronic RUC system should, ideally, provide the foundation for adopting a more sophisticated, nationwide rollout of time and location-based charging.
- 27 The shift of all vehicles to RUC would generate a small amount of new revenue based on current rates, because the average petrol vehicle currently pays slightly less per kilometre in FED than they would pay in RUC. This is due to improvements in average fuel economy since the last time FED and RUC rates were rebalanced.

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Revenue Tools - current and potential

For a future land transport revenue system

28 November 2023

	Fuel Excise Duty	Road User Charges (&eRUC)	Dynamic road pricing	Council contributions	Value Capture (land value uplift)	Public Transport Fares	Regional Fuel Taxes	Annual Vehicle Licensing	Tolling	IFF levies	Congestion charging
Why use this tool?	Low rate, broad base tax on fuel where small increases can generate significant additional revenue. Forms a proxy for road use. This is diminishing as vehicles become more fuel efficient and with the uptake of hybrid and electric vehicles.	Recovers costs from road users, roughly in proportion to the wear & tear they cause on roads. Charges are well understood and acceptable given the clear link between costs and benefits.	Not currently in use (would need legislation) but could recover costs and charge for externalities like congestion and pollution. Would supersede congestion charging and tolling. Often envisioned to apply to all roads.	Broad-base, property based rates as well as developer contributions and targeted rates. Links funding & investments made. NLTF funds 51-75% for local council projects, with local contributions making up the remainder.	Not currently in use (would need new legislation). Reclaims some of the private property value increases generated by public investments. Could apply to commercial and/or residential property.	Covers some of the operational costs of public transport. Aligns to our beneficiary contributes principle.	Provides regional councils a tool to raise revenue from road users for transport projects that would not otherwise be funded. Also more consistent with beneficiary pays principles because it is paid by transport users rather than homeowners.	Is a form of access charge, with cost recovery elements. Includes ACC Levies and \$43.50 fee into the NLTF (plus GST and admin fees).	Charges for the use of a tolled new road. Revenue gathered is used for capex and opex. Unlocks funding outside of standard processes and enables project specific financing.	Lets councils borrow off balance sheet, enabling them to fund infrastructure beyond what they otherwise could. Strong beneficiary pays connection.	Not currently in use (though legislation is drafted). Encourages people to rethink the time or mode of travel by charging them to use certain parts of the network at congested times.
Who administers the revenue?	Collected at the border by Customs from fuel companies. Revenue is hypothecated into the NLTF, and spent by Waka Kotahi in line with the GPS, often in partnership with local governments. National	Waka Kotahi manages RUC licences and receives revenue. eRUC is received by third party providers then passed on to Waka Kotahi. Revenue is hypothecated into the NLTF, and is spent by Waka Kotahi in line with the GPS (not specifically ringfenced to road costs) National	The design would need to be determined, but could be third party tech providers, or a crown entity directly. Revenue would be managed and spent as per the settings of the day. Note the much higher costs of operating this system, due to complex charging mechanisms and technology. National	The council receives rates revenue, then provides it to transport projects as part of their funding contribution (alongside WK). There are legislative requirements on how rates are set, but are set by WK taking into account the region's ability to pay. Local	The administrator of the revenue would be determined as part of the enabling legislation for this tool. Currently councils administer other forms of value capture (targeted rates, developer contributions, and IFF levies). National/Local	Regional councils set fares and administer the revenue. Public transport operators collect farebox revenue. Local	The only operating regional fuel tax scheme is in Auckland. Funds are collected by Waka Kotahi but provided to Auckland Council and tagged for specific projects. The tax is paid by fuel companies when petrol arrives at a retail site. Local	Licence fee revenue is hypothecated into the NLTF and spent by Waka Kotahi in line with the GPS. National	Toll revenue is not classed as land transport revenue so it is "received" by the toll road. This means Waka Kotahi has set up a separate account and ring-fenced money for each specific road – usually to pay down associated debt. National	A special purpose vehicle is set up for each IFF levy, councils collect revenue, passing it on to the special purpose vehicle. Crown Infrastructure Partners currently owns/administers both IFF special purpose vehicles but this doesn't have to be the case. National	The draft Bill proposes that the relevant territorial authority will receive the revenue. Who administers the collection of revenue is not determined but the preference is Waka Kotahi to build economies of scale. Local
What are our future opportunities?	Will likely decrease over time (given fuel efficiency and fleet changes), but rates are easily increased, and this remains a good short-to-mid-term revenue option.	We could apply RUC universally across all vehicles, accounting for diminishing FED revenue from fleet changes. We could cover a greater range of costs/externalities. We could implement time & location-based charging on top of distance.	This is a future option to replace/expand RUC. Tracking vehicles (and subsequent data) provides a range of opportunities for network & demand management.	Insights from the Future of Local Government review may identify future opportunities for local funding tools.	Many options are available to us when designing a new value capture tool. It could be project based, national, apply to commercial, residential, or all properties. Another example of value capture is the sale of air development rights above stations.	Could be increased to cover a greater portion of opex costs but this could impact patronage and wouldn't reflect the broad benefits generated by public transport (congestion and emission reduction).	The legislation is open to allow any regional council to propose a scheme. More councils adopting this tool could aid local funding contributions but compounds any national FED increases.	The NLTF component has been at the same rate since 1992, increases could be made to reflect inflation. AVL (or similar) is used internationally as a progressive transport tax (based on vehicle market value) or to impose a weight based charge (in lieu of weight-based RUC).	The statutory criteria for assessing tolling proposals is permissive but the broader settings could be relaxed further to encourage greater use of tolling. Currently tolls can only be applied to new roads where there is a free alternative. Legislation could be changed to allow tolls on existing roads.	Work is beginning on streamlining legislation so it is easier to engage with capital markets while a levy is being approved. The Minister of Housing will lead this work.	Congestion charging is not currently legal, so amending legislation has to be the first step. Auckland, Wellington, Christchurch, and Tauranga have all expressed interest in congestion charging schemes.
Who pays? What's the revenue potential?	Motorists who use a petrol powered car under 3.5 tons Under current settings circa \$1.9 billion per year is raised. This will reduce over time, as the fleet changes due to electrification and improving fuel efficiency. Includes circa \$48 million of LPG excise revenue. \$ \$ \$	Non-petrol vehicles with rates based on weight and axle numbers. EVs are exempt currently, light EVs are due for inclusion on 1 April 2024, heavy EVs on 31 December 2025 Under current settings circa \$1.9 billion a year is raised.	All vehicles This would likely raise similar rates of revenue to the current approach (FED + RUC), as the limiting factors are the same and administration costs are higher.	Property owners, both residential and commercial. Local governments contribute circa \$1.3 billion a year as part of shared funding with the NLTF, they also make unsubsidised transport investments.	Property owners, possibly along particular transport corridors or applied nationally. Depending on design it may apply to residential and/or commercial property. Revenue potential is highly dependent on design decisions.	Public transport users Farebox revenue funds 20-30% of op-ex costs. In 2021/22 \$131 million was raised (noting that fares were half-price during this time). This is down from a pre-covid peak of circa \$343 million in 2018/19.	Motorists who purchase fuel in the region Legislation states that the maximum charge is 10 cents per litre of petrol. In Auckland the regional fuel tax scheme raises \$150 million annually.	Motorists Under current settings circa \$230 million a year.	Motorists Actual 2021/22 revenue for NZ's three toll roads was \$31.8 million. Approximately \$10 million covers toll administration costs.	Property owners, Revenue potential could increase significantly if more schemes are established. The levy for Tauranga City Council's Transport Systems Plan provided \$175 million for construction costs. Levy payers will pay interest and administration costs over 30 years.	Road users who choose to drive in a congestion charging zone at the charging time. Congestion charging is a behaviour change tool and has the lowest revenue potential compared to the other tools.
	HIGHEST REVENUE POTENTIAL					LOWEST REVENUE POTENTIAL					

Revenue Tools - current and potential

For a future land transport revenue system

28 November 2023

	Fuel Excise Duty	Road User Charges (&eRUC)	Dynamic road pricing	Council contributions	Value Capture (land value uplift)	Public Transport Fares	Regional Fuel Taxes	Annual Vehicle Licensing	Tolling	IFF levies	Congestion charging
Pros	Small increases generate significant additional revenue. Broad based and simple to administer, change rates. Also easy to understand. Very low collection costs (<\$1m per year) and impossible to avoid. Good proxy for distance/use of the system. This discourages inefficient overuse of the system	Good proxy for the impact on network caused by users. Incentivises vehicle use that is less damaging to roads. Can absorb EVs well. This is a world leading feature of our system. Strong social licence as there are clear exacerbator pays connections.	Can encourage behaviour change/pricing (supersedes tolling and congestion charging). But the more behaviour change is a focus the less revenue is likely to be collected.	One of the few progressive tools in the system (property value based rate setting). Broad based, applies to owners and is passed on to tenants. Enables local contributions and participation in investment decision making, critical for social licence.	Capturing a portion of infrastructure generated windfalls unlocks a new funding source. Easier to pay than a levy or rate if collected at time of sale Less impact on property owners with fixed incomes than rates or levies. Strong beneficiary pays connection.	Enables behaviour change policies through discounted fares. Provides some rationing incentive to users without overburdening them with costs.	Local tax with local accountability and direct link to local projects. Similar benefits as fuel excise duty in general.	Plenty of future potential (based of international practice). Could be a simple way to charge for negative externalities. Changes could be made relatively quickly, compared to a tool like dynamic road pricing.	Very transparent. Can accelerate investment and bring projects forward Legislative change could address issues like high collection costs and limited scope for application. Legislative change would likely take less time than development of fully new tools.	Enables off balance sheet borrowing for councils, bringing forward investments that would otherwise be delayed.	Strong behaviour change policy lever. Reduces the need for new infrastructure, saving of significant capital costs. Can use same technology as tolling, boosting collection efficiency of both tools. Local tool for local projects. Legislation is drafted and could be introduced quickly.
Cons	Revenue collected will reduce in the long term as fuel efficiency improves and as petrol vehicles switch to electric (and move onto RUC). A regressive tool as it is based on consumption like GST. Revenue sustainability is based on vehicle kilometres travelled growing perpetually, this undermines emission reduction objectives.	Higher cost to collect compared to FED (current admin costs of ~\$15m per year). Easier to avoid (by not purchasing, or odometer tampering). Admin heavy for users, and complex with a large number of rates. eRUC benefits (e.g. fleet tracking, reducing costs) are of less value to the non-commercial fleet.	The system doesn't exist to implement this tool, nor has it been successfully implemented in other countries. High cost to implement with a similar revenue potential to current tools (FED & RUC). Serious privacy issues that could undermine social licence (GPS tracking in every vehicle). Would take a long time to implement.	Significant affordability constraints. Nature of the payment process undermines willingness from the public for any increases. Given the increasing costs of weather related events and the need to adapt in response to climate change, local affordability is likely to become critical in the mid to long term.	Complicated to calculate and attribute value uplift to specific properties. Revenue potential is limited if there are significant carve outs, like not applying to residential properties. Could overlap other revenue tools resulting in double charging. Uncertain timing of revenue collection if done at time of property sale.	Significant affordability constraints and low revenue potential. Increasing fares could undermine other goals such as emissions reduction and equity mitigation.	Takes headroom from other vehicle based taxes, especially national fuel tax.	Currently very low revenue potential. Currently regressive as a flat rate is charged. This could be changed by tying rates to vehicle market values.	High admin fees, collection cost is circa 30% of revenue. Currently low revenue potential. Currently restricted use (new roads only) this is because of current legislation. New Zealanders have a low willingness to pay for tolls, and are likely to divert to an alternative route, resulting in negative benefits (e.g. less safe, slower travel times).	Higher cost of capital than consolidated council or Crown borrowing. Similar affordability constraints as general council rates. Hard to implement given legislative settings with a low uptake so far. This may improve as more schemes get up and running and changes are made to the legislation.	This as a demand management tool rather than a revenue tool. However, avoiding the need for more infrastructure could generate significant savings, essentially the equivalent of revenue.

Key messages

- A critical benefit of broad based tools like FED and RUC is that small increases can generate significant additional revenue – a 1 cent per litre increase in FED and equivalent increase in RUC raises around \$60 million additional revenue per year.

- The simplicity of a tool is strongly connected to efficiency and low collection costs. Simplicity also enables better communication and improved transparency.

- Behaviour change and demand management are powerful levers to reduce emissions and avoid the need for new infrastructure.
- However, tools that focus on demand management are often not well suited to gathering significant revenue.

- Tools that apply to particular projects or corridors (IFF levies and value capture) can be complex to design and implement.

Other tools we could investigate

Vacant land tax	Airport levies	Capital gains tax	Wealth tax	National infrastructure levy	Stamp duty	Active mode charge	Vehicle emission tax	Workplace parking levy	Windfall gains tax	Betterment levies
Low emission zones	Data monetisation	Increased use of land acquisition, up-zoning and resale	Hypothecation of tax revenue (like GST)	Annual motor vehicle tax	Sale of development / air rights	Tourism levy	Premium farebox	Business rate supplements	National value capture mechanism	EV charging excise duty

When to use different funding and financing tools

For a future land transport revenue system

November 2023

Tool	When to use this tool	When not to use this tool	Comments
Public private partnership (Financing)	- Large scale and long duration where the nature of the asset is specific (can only be used for a particular client). - Services are durable (i.e., service requirements unlikely to change over time in unpredictable ways). - Possible to define clear performance requirements over time. - The project is of a sufficient size and scale that innovative design and service approaches would add value. - Sufficient market appetite and depth to ensure a competitive procurement process. - When the PPP delivery model achieves a better benefit-cost ratio than a public delivery approach.	- When the costs outweigh the benefits (due diligence/risk transfer/project evaluation etc.) when compared to Crown borrowing. - When project scope/design details are uncertain. - When roles and responsibilities for the private and public sector cannot be clearly defined and written into a contract. - When private sector involvement would undermine desired project outcomes. - When risks cannot be adequately defined or appropriately transferred to the private sector partner at reasonable cost - When client capability is not sufficient to establish the PPP and manage it over its lifetime.	- There are increased overheads when using a PPP. - If you are getting revenue from users e.g. through a charge such as a toll, it makes it easier to recoup the debt. - Risk transfer: a private partner can take on aspects of risk, but sound analysis of which risks are best placed with which party is required. - A clear understanding of roles and responsibilities is needed. - A strong client function is needed at both the instigation of the PPP and over its lifetime to ensure delivery and costs are managed - There are longer term debt implications and limits of scope change that need to be considered - It takes time and is expensive to set up.
Equity led concession (Financing & cost recovery)	- A large-scale asset that has limited interfaces with existing assets (e.g., new highway, rather than widening of a highway). - The project generates <u>commercially viable revenue</u> streams through fares or tolls over its lifetime (certainty of cash flow). - Where a greater level of risk and control can be transferred to the private sector. - When a private sector concession will bring forward investment in the project. - When private sector can bring innovative approaches to delivery/operation of an asset/service.	- For an equity concession to be attractive to the private sector they are likely to want control over design and/or operation of the underlying asset, including any revenue settings. The Crown should not enter into this arrangement if they are not prepared to give up control. - When there is significant demand uncertainty, and the private entity cannot influence or boost demand sufficiently through pricing/design. - If the project isn't commercially viable a standard PPP or public service delivery model would be more suitable. - The above reasons to not do a PPP also apply here.	- Equity led concessions can be a valuable tool for bringing in private capital to our transport system. However, the projects involved need to be commercially viable, something that is rare in our land transport system. - Opportunities are likely to be in high volume urban areas or for port and airport projects. You could consider subsidies alongside an equity concession to boost viability, but they would need to be designed with good economic incentivise to ensure efficient and effective outcomes.
IFF Levy (Financing & cost recovery)	- Mid to large scale projects (typically used where infrastructure funding required will be over \$50m with a minimum of 1,500 beneficiaries). - A project with local beneficiaries and the ability to identify the beneficiaries. - Where the project cannot be fully funded from normal sources (e.g., local government and NLTF). - Projects that have local government support. - Current legislation requires the project to support urban development.	- Where a targeted rate can raise equivalent revenue (this will likely lower the cost of capital compared to an IFF levy). - Where a new IFF levy will overlap with an existing one (double dipping) - Where a levy would need to be so high as to disincentivise urban development to occur or would be generally impractical to implement due to affordability constraints.	- IFF levies are predominately a tool to allow off balance sheet borrowing for councils. This can be beneficial in unlocking funding for growth. However, circumventing a justified limit on borrowing is, by definition, not appropriate. If standard funding/financing options are available, they will likely be cheaper (borrowing through the NZ Local Government Funding Agency). - Consideration of IFF levies on PT-specific, mega-projects is limited to Auckland Light Rail but has shown a strict beneficiaries-pays approach may be unaffordable for levy payers.
Value capture (cost recovery)	- Mid to large scale projects. - Where a new amenity or significant financial value is created that was not previously available (new or significantly enhanced service levels). - Best implemented on projects yet to be announced to ensure value uplift can be attributed to the project.	- When the complexity and cost of attributing benefits to specific properties outweighs the level of revenue raised. - Where the project does not achieve sufficient property value uplift to raise meaningful revenue. - When value uplift has already occurred due to project announcements.	- Designing and implementing value capture involves complex econometric evaluation to determine and attribute property value uplift in response to a specific project. - If the value uplift isn't significant this process would likely not be worthwhile. Value capture schemes can also lose public support overtime as the new amenity becomes part of the status quo.
NLTF Borrowing (Financing)	To smooth seasonal and other short-term cashflow variations. Borrowing to smooth seasonal cashflow variations is a useful financial tool and part of standard practice for Waka Kotahi.	When additional borrowing is not combined with future revenue increases.	The NLTF has little head room for more debt unless there are future revenue increases, the Waka Kotahi board may not accept more Crown loans without FED and RUC increases.

Domestic and international examples

For a future land transport revenue system

Public private partnership

Canada Line: is a 19.5-kilometre rapid transit line connecting Vancouver, Richmond, and the Vancouver International Airport. The line was financed and procured through a PPP structure. It opened in August 2009 and cost approximately USD\$2.05 billion. It is part of Vancouver's integrated SkyTrain network. The private sector held construction, operating, and ground risk, while insurance and revenue risk was largely held by the Vancouver transport authority. The PPPs concession payments are based 70% on service availability, 20% on service quality, and 10% on ridership volume.

Equity led concession

Waiheke Ferry: the Waiheke Island ferry service is owned and operated by a private company relatively separate from the Auckland public transport system. It is a commercial operation funded through fares and other sources. The private operator controls prices and schedules, with more flexibility over operations than a publicly contracted model.

REM, Quebec, Canada: the REM is a light rail transit system recently opened in Montreal, Canada. The Quebec state pension fund (CDPQ) is the majority shareholder (70%) in the REM, investing CAD\$3 billion of equity in the project, and the Government of Quebec (30%) provided the remaining equity (CAD\$1.28 billion). The remaining financing was raised through debt from the Canada Infrastructure Bank (a federal government-owned corporation) and public sector contributions.

The CDPQ receives preferred dividends until they achieve an annual return of 8-10%. Only after that is achieved will the Government's 30% shareholding receive profit. The REM financing structure includes a revenue-sharing agreement between the REM and the Government of Quebec. Under this agreement, the REM collects the revenue from user charges, which is used to repay the debt financing and provide a return on equity. The Government pays subsidies to the REM (CAD\$0.72 per person per kilometre, adjusted annually for inflation), which ratchets down as ridership increases.

IFF Levy

Tauranga Transport Systems Plan: enabled a Special Purpose Vehicle to raise finance and provide \$175 million of funding towards construction costs of projects. This finance was raised on the back of a 30-year citywide levy. In the first year, the median residential levy was \$68 a year and the median commercial levy was \$521 a year. Although slightly more expensive, using a targeted rate instead of the IFF levy would have resulted in TCC's long-term debt-to-revenue ratio coming close to the Local Government Funding Agency borrowing limit of 280% (peaking at approximately 270% in 2026).

Wellington City Council sludge minimisation facility: enabled a Special Purpose Vehicle to raise finance and provide \$400 million of funding towards the construction costs of the facility. This finance was raised on the back of a 33-year citywide levy. Over the 33-year levy period it will cost levy payers over \$1.2 billion due to interest payments and other costs associated with running the Special Purpose Vehicle.

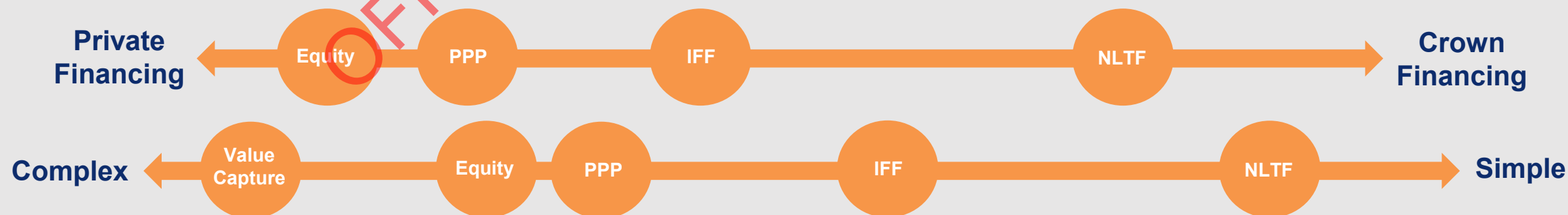
Value capture

Auckland Light Rail: value capture modelling as part of the indicative business case projected that value capture tools could fund 20% of the project capital costs (excluding bulk enabling infrastructure related to urban development). This is substantial but demonstrates that value capture cannot be the primary funding method for a project of this nature.

Airport MAX Red Line (City of Portland, USA): a light rail network extension from downtown to the Portland International Airport consisting of 9 kilometres of track with a cost of approximately US\$125 million. The City of Portland, in partnership with Trimet (the regional transport authority) issued a US \$23.8 million TIF bond for its portion of the project costs, paid back by incremental revenues from the local TIF district. The sale of development rights and land leases to private sector partners was also used as a value capture mechanism, who were required to contribute 22.5% of the project construction costs in return for joint development rights at the new light rail stations.

Borrowing against the NLTF

Borrowing against the NLTF - In 2021 Waka Kotahi was provided a \$2 billion loan to account for an investment gap between planned investments in the NLTP 2021 and the level of investment required to advance Government priorities and commitments. As part of finalising GPS 2021, the Ministry of Transport advised that meeting all of GPS 2021 priorities within post-COVID revenue settings was likely to be challenging.



Revenue System – International Scan

Comparisons for a future land transport revenue system

v0.2 28 September 2023



Norway

Population: 5.4 million
 Land area (km²): 385,207
 Road Network (km): 94,902
 Rail Network (km²): 3885
 Cars per capita: 0.651
 GDP per capita (PPP NZ\$): 98,494*

Taxes on extracted fossil fuels are a large source of central government funding, with central funding a key part of the system. Historically toll revenue was a significant portion of funding. This has reduced recently in the face of public backlash.



Ireland

Population: 5.15 million
 Land area (km²): 70,273
 Road Network (km²): 99852
 Rail Network (km²): 2733
 Cars per capita: 0.444
 GDP per capita (PPP NZ\$): 166,000*

Transport is predominately funded by the exchequer (Crown equivalent). They have significant use of EU funding sources. Investment is also enabled by corporate tax revenue from large international firms. Ireland uses similar transport-based revenue as NZ, but far more land-based tax revenue like capital gains and property stamp duty. Transport investments are a significant portion of central government support for local governments.



Japan

Population: 123.9 million
 Land area (km²): 364,546
 Road Network (km²): 12,2000
 Rail Network (km²): 27,311
 Cars per capita: 0.66
 GDP per capita (PPP NZ\$): 60,796*

Significant central government investment is made in transport. The privatisation of rail companies has been largely successful. Non-transport revenue is key to their success (commercial station development and property development). Japan's large debt levels (circa 226% of GDP) have led to using Private Public Partnerships primarily to access capital. They use a similar suite of transport taxes (fuel excise, vehicle registration, tolls etc).



Australia

Population: 26 million
 Land area (km²): 7.69m
 Road Network (km): 873,573
 Rail Network (km²): 33,168
 Cars per capita: 0.748
 GDP per capita (PPP NZ\$): 101,866*

Most transport taxes or charges are indexed to inflation, but revenue is declining due to improving fuel efficiency and EVs. Motor vehicle registration and stamp duties are significant (appear to be on par with revenue from fuel taxes). Toll roads are a common feature, generally built as Private Public Partnerships. Plans to implement congestion charging in states that already have tolling schemes have resulted in some public backlash.



Singapore

Population: 5.64 million
 Land area (km²): 734.3
 Road Network (km): 3,500
 Rail Network (km²): 259
 Cars per capita: 0.11
 GDP per capita (PPP NZ\$): 157,732*

Singapore is currently working to implement satellite units for Electronic Road Pricing. This means road pricing can be expanded more flexibly. No plans for distance-based pricing yet, but this move would make it possible.

They currently use congestion pricing, with rates tied to travel speed. There have been long-term and consistent approaches to investment. Singapore has made strong policy choices to limit car use such as car registration fees in excess of the value of the car. Government investment is made possible through their broader economic success as a global hub.



United Kingdom

Population: 67.3 million
 Land area (km²): 242,495
 Road Network (km): 424,129
 Rail Network (km²): 15,935
 Cars per capita: 0.594
 GDP per capita (PPP NZ\$): 90,946*

Hypothecation is limited but has been introduced for their equivalent of motor vehicle registration fees. There are some concerns various local priorities are not being met, despite high fuel tax and public transport fares.

The UK has five-year funding programmes for the National Highway network – generating greater planning and contracting certainty.



USA

Population: 331.9 m
 Land area (km²): 9.83m
 Road Network (km): 6.8m
 Rail Network (km²): 220,480
 Cars per capita: 0.868
 GDP per capita (PPP NZ\$): 125,031*

The IRS collects hypothecated fuel tax, and vehicle sales/usage taxes for heavy vehicles. State authorities collect state fuel taxes, and each State Department of Transport collects user charges or mileage taxes, sometimes through private providers. The most significant reforms being considered are about replacing fuel taxes with a form of RUC.



Austria

Population: 8.9m
 Land area (km²): 83,879
 Road Network (km): 126,400
 Rail Network (km²): 5,527
 Cars per capita: 0.632
 GDP per capita (PPP NZ\$): 82,168*

RUC is charged on Federal Highways and hypothecated to their maintenance. The Road Manager can borrow for large capital projects and raise rates itself in line with inflation. A small portion of fuel duty is hypothecated to local public transport. Most of the spending on local roads, public transport, and rail is from general tax revenue.



New Zealand

Population: 5.18 million
 Land area (km²): 268,021
 Road Network (km²): 96,817
 Rail Network (km²): 4,128
 Cars per capita: 0.897
 GDP per capita (PPP NZ\$): 82,904 *

New Zealand uses fuel excise duty, and network-wide distance and weight-based road user charges for non-petrol vehicles. These charges are being adapted to incorporate EVs. Vehicle registrations and tolling also generate some revenue. The revenues are hypothecated in the National Land Transport Fund. This has served us well, but the approach is being stretched.

*GDP per capita stats are TBC

Tolling – current status, opportunities and choices

1

October 2023



What it is

Tolling is a road pricing system by which a toll is charged to motorists for using a specific new road **to generate revenue**. Tolling has mainly been used to accelerate ('bring forward') the construction of new roads in New Zealand, with the toll revenue used to repay the road's construction costs. Tolloed roads are generally safer and faster.

Tolling is a basic form of road pricing. Road pricing is any system that directly charges motorists for using a road or network of roads. Work is underway on more sophisticated forms of road pricing (congestion charging or the variable road pricing scheme being explored in Tauranga).



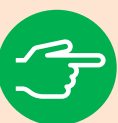
Revenue Statement

Tolling is a project funding tool that contributes to the costs of a new road. In 2021/22, tolling generated **\$22 million** for project costs and **\$10 million** for administration costs.

Over the years, revenue from tolling has broadly increased, and both the Northern Gateway and Tauranga Eastern Link are covering the financing/interest expenses costs.

The revenue generated from tolls can only be allocated to expenses related to the road itself (for example, construction or maintenance).

Tolling is a project-specific funding tool. Increasing toll rates is very unlikely to be a substitute for increasing fuel excise duty and road user charges.



Status of this tool

We will advise you on how those proposals perform against criteria in the LTMA (for example, whether the tolling scheme is efficient and effective). RCAs are required to consult on the proposed toll and then you get to decide whether you are satisfied with the level of public support.

Waka Kotahi evaluates each new State highway as a potential toll road. You get to decide whether to progress an Order in Council for a new tolling scheme based on detailed proposals from Road Controlling Authorities (RCAs). Toll rates are linked to the Consumer Price Index, but increases happen irregularly.

Immediate issues and decisions you may need to make



Tolling Penlink

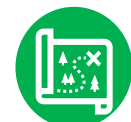
- The previous Government announced in May 2023 that Penlink would be tolled, but the necessary Order in Council has not been passed yet. The toll is expected to generate \$12 million in annual revenue, whilst annual costs of the road are estimated at \$3 million. The remaining revenue would repay the costs of the tolling infrastructure.
- Tolls are expected to help manage congestion when Penlink opens, which is slightly different than previous toll roads – the road is already fully funded (through the NZ Upgrade programme) and there is no link to faster construction. The revenue is for maintenance (in perpetuity). Public support for the proposed toll was approximately 20 percent.
- If the decision to toll the road is reversed, then maintenance revenue will need to come from the NLTF.



You will likely receive other tolling proposals

- You will also likely receive other tolling proposals – for example, Ōtaki to North of Levin and Takitimu North Stage One in Tauranga. We will advise you on these proposals to aid your decision-making.

Medium term opportunities and choices



There are some challenges in the tolling system

- We are keen to discuss your objectives and thinking about the role of tolling. In terms of priorities for reform, there are some things you may wish to consider:
 - Existing policy settings are strained:** Currently, tolling policy focuses on providing a supplementary source of revenue to accelerate the construction of new roads that would otherwise be delayed. Tolling, coupled with financing, has previously played an integral role in the business case for a road. However, there is interest in using tolls as an additional revenue source, even when the construction costs of the road are fully funded.
 - Administrative costs are an ongoing issue:** The necessary systems to support tolling consume a relatively high portion of overall revenue. Exploring opportunities for efficiencies may be beneficial.
 - Selecting the right roads for tolling is critical:** Focusing on roads with high traffic volumes that offer substantial travel time savings is often key to the success of a toll road project. Tolling roads with relatively low traffic volumes and offering only marginal time savings generally do not provide good value for money and can undermine project benefits.
 - Scope for legislative alignment exists:** There are three sets of tolling provisions in New Zealand legislation, but only the LTMA provisions are used. We may be able to simplify the system and make tolling more attractive by designing one comprehensive set of provisions.
 - Local authorities do not use the current system:** The legislation allows tolling on local roads and State Highways, but some regional/local attempts have not been successful. Takitimu Drive in Tauranga is an example (more information on the next page).
- Road pricing encompasses a broad range of tools that can vary depending on the objectives. We are interested in discussing your road pricing priorities and highlighting potential enabling and streamlining legislative opportunities (e.g., the need for new congestion charging legislation, and/or the possibility of extending current tolling framework).

Tolling – current status, opportunities and choices

October 2023



Northern Gateway: In 2005, the Crown loaned \$158 million to supplement funds available for the project in the National Land Transport Fund (\$180 million), enabling the project's construction to be accelerated by ten years. Tolling was introduced to repay the Crown loan.

In 2021/22, the total loan balance (including interest) amounted to \$204 million, with the total toll revenue collected since 2009 being \$115 million. During 2021/22, toll revenue reached \$9.9 million (excluding GST), while approximately \$4.2 million was collected to pay for administration. Interest costs on the loan amounted to \$5.9 million, with an interest rate of 2.85 percent.

The tolling equipment and setup costs accounted for \$28 million.

The road spans a length of 7.5 kilometres, with tolls set at \$2.60 for a light vehicle and \$5.20 for a heavy vehicle for a one-way journey. The road, when untolled, had a benefit-cost ratio (BCR) of 2.05. Implementing tolls on the road resulted in a BCR ranging from 1.4 to 1.7, with the reduction primarily attributed to increased costs associated with the tolling infrastructure and a decrease in benefits due to traffic diversion.



Tauranga Eastern Link: In 2010, Waka Kotahi borrowed \$107 million from the Crown to expedite the construction by approximately seven years, and tolling was implemented as a means to repay the loan.

During 2021/22, toll revenue amounted to around \$5.5 million, with an additional \$2.6 million collected to cover administration costs. The interest costs on the loan reached \$4.8 million, and the loan balance remains at \$107 million.

The expenses associated with tolling equipment and setup totalled \$19 million.

The road stretches over 23 kilometres, with tolls set at \$2.30 for a light vehicle and \$5.60 for a heavy vehicle for a one-way trip.

When untolled, the road had a BCR ranging from 1.7 to 2.2. The introduction of tolls on the road resulted in a BCR of 1.4.



Takitimu Drive in Tauranga (also known as Route K): In 2003, the Tauranga City Council borrowed funds to construct the road as a toll road, incurring a cost of \$44 million. Initially, a manual collection system was in place, but the revenue collected did not cover the collection and financing costs of the road.

In 2015, approximately \$65 million from the National Land Transport Fund was used to acquire the road, including the interest on the loan, from the Tauranga City Council. The revenue generated from tolls is being used to reimburse the National Land Transport Fund for the road's purchase.

During 2021/22, toll revenue amounted to approximately \$6.4 million per year, with \$3.2 million allocated for administrative expenses. Waka Kotahi's setup costs, which included electronic tolling equipment, amounted to \$6 million.

The road spans a length of 6.8 kilometres, with toll rates set at \$2.10 for a light vehicle and \$5.40 for a heavy vehicle for a one-way journey. Public reports suggest that when the road was initially constructed it had a BCR below 1.

Road User Charges - current status, opportunities and choices

1

October 2023



What it is

Road User Charges are distance, weight and axle-based charges paid by all vehicles not subject to fuel excise duty (currently, heavy and non-petrol-powered vehicles).

Financial cost recovery is the focus of the road user charges system.

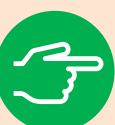


Revenue Statement

RUC is a reliable and sustainable source of revenue.

As RUC is based on distance travelled it is a more sustainable revenue source compared to taxes based on fuel use (like excise)

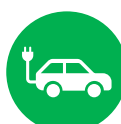
In the 2021/22 financial year RUC contributed \$1.9 billion in revenue to the NLTF out of a total of \$4.2 billion in revenue. Of this, 800,000 light RUC vehicles contributed \$700 million, while 190,000 heavy vehicles (including trailers towed by heavy vehicles) contributed \$1.2 billion. Administration and collection fees are approximately 1.3 percent of revenue.



Status of this tool

The proportion of the fleet subject to road user charges is growing, and with the uptake of battery electric vehicles it is anticipated much of the fleet will be paying RUC in the future.

Immediate issues and decisions required



Light EVs are set to become subject to RUC in 2024, and heavy EVs in 2026

- Light EVs will become **subject to RUC on 1 April 2024**, which we note is Easter weekend. We expect bringing light EVs into RUC will generate approximately \$55-86 million in the first 12 months after the end of the exemption.
- The current exemption for Heavy EVs expires on 31 December 2025. You can decide whether this RUC exemption extension should go ahead.



Risks

- We consider that most light EVs weighing less than one tonne should pay RUC. While this is the right choice, there is a risk that some of these vehicles (mopeds, motorcycles) will face much higher costs than their petrol counterparts. We consider any market distortion risk to be low, as there are very few of these vehicles in New Zealand and purchase costs are currently a much higher barrier.
- There is also a risk that some of these vehicles weighing less than one tonne are not fitted with distance recorders (odometers) meaning that RUC cannot be assessed and collected accurately. We are investigating this issue with Waka Kotahi to determine the size of any problem.
- When the exemption ends, plug-in hybrid vehicles (PHEVs) will be liable for both RUC and excise duty on any petrol purchased. In the interim, owners will be able to claim refunds for excise duty, which is a manual and time-consuming process. We propose to amend the Road User Charges Act 2012 to enable a partial rate to be established and remove the ability to claim refunds. You have indicated a willingness to progress this change urgently to have the partial rate in place before 1 April 2024.

Potential broader changes



Moving all vehicles to RUC

- Revenue from fuel excise duty will start to erode from the uptake of petrol hybrid and more fuel-efficient petrol vehicles.
- We are providing you with separate advice on moving all vehicles to RUC. If RUC is going to apply to everybody, then we need to look at whether it is sufficiently flexible and enabling. We could look at:
 - Whether the current RUC system supports a future where RUC applies to everyone. Currently, the RUC system is focused on charging vehicles to recover financial costs but not broader externality costs.
 - Whether the Act is flexible enough and whether there are ways to make it more user-friendly for light vehicle owners.
 - Advanced electronic RUC systems

Road User Charges - proposed changes to the RUC system

2

October 2023



Matters consulted on

In early 2022, we consulted on a range of possible changes to RUC System:

Including EVs in the RUC system

Different elements of this were consulted on, with general understanding that users of the roads should help pay.

Using RUC to recover external costs

This included potential changes to allow RUC rates to recover costs not directly related to the construction and maintenance of infrastructure. Examples of this include the cost of emissions.

Improving the RUC system

This was a range of proposed improvements to the functioning of the RUC system, focused on improving the collection and administration of RUC and the use of RUC to influence the national vehicle fleet.

Technical amendments to the Act

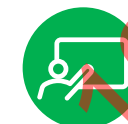
A range of technical or operationally focused changes to improve the administration of the RUC system.

More information on these is in the report-back of submissions.



Proposed changes

- Removing the current requirements to display or carry a RUC label – reducing overall costs to administer RUC.
- Giving NZTA the ability to use historical RUC rates for a RUC assessment, broader discretion in RUC assessments review, and better access to third party records – to improve enforcement actions.
- To transition compressed natural gas and liquefied petroleum gas powered vehicles into the RUC system – to remove the refund administration currently required.
- Exempting vehicles travelling for Certificate of Fitness purposes from paying RUC because these vehicles are mostly used off-road.
- Amending Road User Charges Regulations to:
 - Realign some RUC weight bands that became distorted when the Vehicle Dimensions and Mass Rule was changed in 2017 and remove some concession type licences.
 - Amend the RUC rates for the adjusted bands so they are proportional to other set rates.
 - simplify the definition of all-terrain cranes and remove their RUC exemption.



Potential Issues

Removing the requirement to display or carry RUC labels will modernise the system, but requires substantial IT updates

Waka Kotahi and Police support removing the requirement for labels but are concerned that in the absence of an online system that allows the verification of RUC status, enforcement will be jeopardised.

This digital improvement needs to occur before the label display requirement is removed. This will cost approximately \$7.5 million.

Some of the proposals included in the Bill were met with negative responses from the sector.

The proposal to widen Waka Kotahi's access to third party records was opposed by some in the sector. We believe the proposal's improvements to audit accuracy and RUC collection justify progressing it – limited to information that already exists.



Next steps

1. Drafting of the Bill.
2. NZTA to commence its communications.

Indicative timeframes for the legislation process

Congestion Charging - current status, opportunities and choices

October 2023



What it is

Congestion charging is a road pricing tool that introduces a charge to travel on certain parts of the road network, only at congested times.

This encourages people to change the time or mode of their travel.

It is used in a handful of cities around the world, including London, Stockholm, and Singapore.



Revenue Statement

Congestion charging is not a revenue tool, but it helps by deferring the need to build more infrastructure.

The primary benefit of this tool is reducing congestion and increasing travel time reliability.

This means that it is not that effective at raising large amounts of revenue, and it isn't a reliable lever for revenue gain.

As the draft Bill is proposed, revenue will be a local council funding source.

The Congestion Question project estimated that putting a cordon charge around Auckland city centre would raise approximately \$20 million per year.



Status of this tool

There is a draft Congestion Charging Bill available.

The new legislation would set the parameters of a congestion charging scheme and enable further design work by councils (with input from the Ministry).

Note these indicative timeframes would be extended if the Bill requires change.

Short term issues & decisions required



Potential impacts on GPS24 to GPS27

As it stands now, congestion charging revenue will not contribute to the NLTF (and therefore GPS funding). It may contribute to local share/local projects. It can also help reduce the need for more infrastructure/spend.

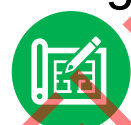


Priority decisions on the draft legislation

If you wish to enable congestion charging in New Zealand, there is a draft Bill available. Changes could be made to the Bill, including:

- What the revenue can be used for – the draft Bill currently limits this to 'operational costs and activities that mitigate inequitable outcomes.' You may wish to broaden this to cover all transport activities.

Longer-term activities



An Auckland congestion charging scheme could be the first one considered

Auckland council are the furthest along in their thinking about "time-of-use" charging. Other councils (including Tauranga, Wellington and Queenstown) have also expressed interest in road pricing generally.

We are interested in discussing your road pricing priorities and highlighting potential enabling and streamlining legislative opportunities (e.g., the need for new congestion charging legislation, and/or the possibility of extending current tolling framework).

Indicative timeframes for the legislation process

December 23	December 23	Dec 23 - May 2024	June/July 2024	Late July 2024	August 2024 onwards	From 2025
Cabinet processes	LTMA 2003 Amendment Bill introduced to the House	Select Committee process (usually ~six months)	Second and Third Readings	Congestion Charging amendment Bill passed/Royal Assent	Proposals developed by councils, with Ministry input.	Implementation

Action Plan to reform the land transport revenue system - ensuring that right tools are in place to fund the system and we have a revenue system that provides certainty and sustainability to meet reasonable funding needs.

NOT GOVT POLICY – BUDGET SENSITIVE

What is the Action Plan?

Land transport is a **critical economic enabler** ensuring that people and goods can move efficiently and safely, connecting people with both economic and social opportunities. Efficient investment in our land transport system is critical to supporting economic growth and optimisation of the existing networks and services to deliver an appropriate level of service for users.

Our revenue system was designed over 30 years ago. As the main beneficiaries, road users contribute much of the cost of maintaining and building roads through taxes on petrol and road user charges on diesel and heavy vehicles. This system has provided a stable and increasing stream of revenue as the population has grown and as vehicle kilometres travelled has increased. Property owners also contribute to the cost of the system to reflect some local costs and benefits.

This **Action Plan** aims to reform the land transport revenue system to ensure *sustainable* revenue to enable delivery of the Government's land transport investment agenda, designed to boost economic growth and productivity, resilience, reliability, and safety.

The Government has made the following commitments in relation to land transport revenue tools:

- Institute long-term city and regional infrastructure deals, allowing PPPs, tolling and value capture tools to fund infrastructure.
- Work to replace fuel excise taxes with electronic road user charging for all vehicles, starting with electric vehicles.
- Work with Auckland Council to implement time of use road charging to reduce congestion and improve travel time reliability.

Work underway

Transitioning EVs and plug-in hybrids to RUC is the first step in the Coalition Government's commitment to **bring all vehicles into the RUC system**. This transition is about fairness and equity, ensuring that all road users are contributing to the upkeep of NZ's roads.

Out of Scope

Purpose of the land transport revenue system

We propose that:

- The **primary purpose** is to efficiently and effectively raise revenue in an acceptable, financially sustainable, and equitable way.
- A **secondary purpose** is to incentivise efficient and safe use of the land transport system, including through making the best use of existing assets and networks.

End state – reformed land transport revenue system

Sophisticated nation-wide time and location land transport charging system

An **electronic charge** could also enable real time and location charging, so charges could better reflect the additional costs of road usage such as congestion. We would need to move the entire vehicle fleet onto an electronic system before charging based on time and location of vehicle use. Therefore, accelerating the shift to a universal electronic system is a key component to progress to more sophisticated road, or broader land transport, charging in the future.

Ensuring appropriate institutional arrangements

For example, (but not limited to):

- there are choices regarding '**who pays for what**' – For example: based on national benefits, regional benefits, local benefits, private/business benefits
- additional use of financing will require greater certainty over a longer-term pipeline of projects
- who manages a sophisticated nation-wide time and location land transport charging system.

Considerations

It will be important to ensure that the use of any transitional revenue tools and electronic systems do not crowd out or delay broader, longer-term reforms. A proliferation of bespoke digital systems could move us further away from the end state.

At a network level, how do different tools integrate and/or overlap? E.g. What does this mean for users of the system and for Government's ability to increase RUC?

Action Plan to reform the land transport revenue system - ensuring that the right tools are in place to fund the system and we have a revenue system that

provides certainty and sustainability to meet reasonable funding needs.

The Ministry will need to provide you with joined up advice on two fronts:

- ensuring that the revenue system reflects the objectives set out above, and
- On the investment side: prioritising and sequencing investment so that what is invested in meets Government's objectives, is affordable and can be delivered.

The Ministry will also need to give advice on cost management and efficiency so that limited funds are put to their best use,

2024

2025

2026

2027

Out of Scope

s 9(2)(f)(iv)

Full transition into RUC

s 9(2)(f)(iv)

Out of Scope

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Action Plan – initial questions

- Are you comfortable the positioning of and timeframes within of “the Action Plan”?
- Are you open to a phased approach to moving all vehicles to e-RUC? E.g. 1. move to RUC, 2. move to e-RUC.

Out of Scope

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15 February 2024

OC240093

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 19 February 2024

FLEET-WIDE TRANSITION TO ROAD USER CHARGES

Purpose

To respond to your request for advice on making a commitment to transition the fleet to road user charges (RUC) and the timing of the transition.

Key points

- Accelerating the transition to distance-based charging will enhance the fairness of our land transport funding system ^{s 9(2)(f)(iv)}

- Cabinet has directed you to report back on the fleet-wide transition to RUC, which presents an opportunity to seek a Cabinet commitment to the transition and to confirm expectations around timing. Publicly articulating a timeframe for implementing a fleet-wide transition would provide clarity and certainty to the public around what will be a significant system change

- ^{s 9(2)(f)(iv)}

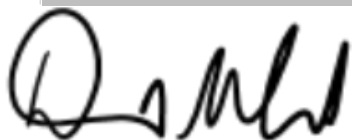
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- s 9(2)(f)(iv) 

Recommendations

We recommend you:

- 1 s 9(2)(f)(iv) 



David Wood
DCE, Investment & Monitoring

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
David Wood, DCE, Investment & Monitoring	s 9(2)(a) 	✓
Matt Skinner, Manager, Revenue		

FLEET-WIDE TRANSITION TO ROAD USER CHARGES

s 9(2)(f)(iv)

3 There are a range of key benefits in a fleet-wide transition to RUC which support an early move, including improving the fairness of the revenue system, and making a first step towards a more sophisticated system which could include time and location charging in the future. In addition, unlike almost all other jurisdictions, we have a RUC system that is likely capable of rolling out distance and weight-based charging at a fleet-wide level.

4 The Road User Charges Act 2012 provides a clear framework and can be amended to bring in the remainder of the fleet (primarily light petrol vehicles) s 9(2)(f)(iv)

5 It is less clear whether the system (currently functional for around 1 million vehicles) is operationally able to be scaled to bring in an additional 3.7 million vehicles. Key challenges in implementing the transition to RUC include:

5.1 **compliance**

s 9(2)(f)(iv)

5.2 **customer service** — the existing RUC system and platform require improvements to efficiently handle increased user volumes and ensure a positive user experience. Improving and scaling up NZTA's customer service and support systems will help ensure the system can deal with larger volumes.

- 5.3 **administrative costs of the RUC system** — currently, RUC administration costs approximately \$30 million per year to administer, borne by users through transaction fees (e.g. \$12.44 admin fee for an online purchase). While economies of scale might exist, identifying and achieving them beforehand is vital to minimise transition costs.

s 9(2)(f)(iv)

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s 9(2)(f)(iv)

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s 9(2)(f)(iv)



- 17 We continue to progress work in this area. Upcoming work and advice will include:
- 17.1 supporting the passage of legislation shifting electric vehicles to RUC
 - 17.2 ensuring that we learn from the electric vehicle transition to RUC, to ensure a smooth and well-planned approach for the fleet-wide transition
 - 17.3 advising you on the potential scope, purpose, and membership of the Expert Land Transport Revenue Reference Group
 - 17.4 working with the NZTA to confirm a programme of work and scope system change processes to support the fleet-wide transition.



28 February 2024

OC240150

Hon Simeon Brown
Minister of Transport

MEETING WITH THE NEW ZEALAND INITIATIVE

Snapshot

The New Zealand Initiative (the Initiative) has asked to meet with you to discuss road user charging **Out of Scope**. The meeting provides you the opportunity to further explore these issues.

Time and date	4pm, 29 February 2024
Venue	EW5.1, Beehive
Attendees	Oliver Hartwich, Executive Director
Officials attending	Matt Skinner, Minister of Transport
Agenda	Road user charges Out of Scope
Talking points	Annex 1.

Contacts

Name	Telephone	First contact
Matt Skinner, Manager, Revenue, Ministry of Transport	s 9(2)(a)	✓

MEETING WITH THE NEW ZEALAND INITIATIVE

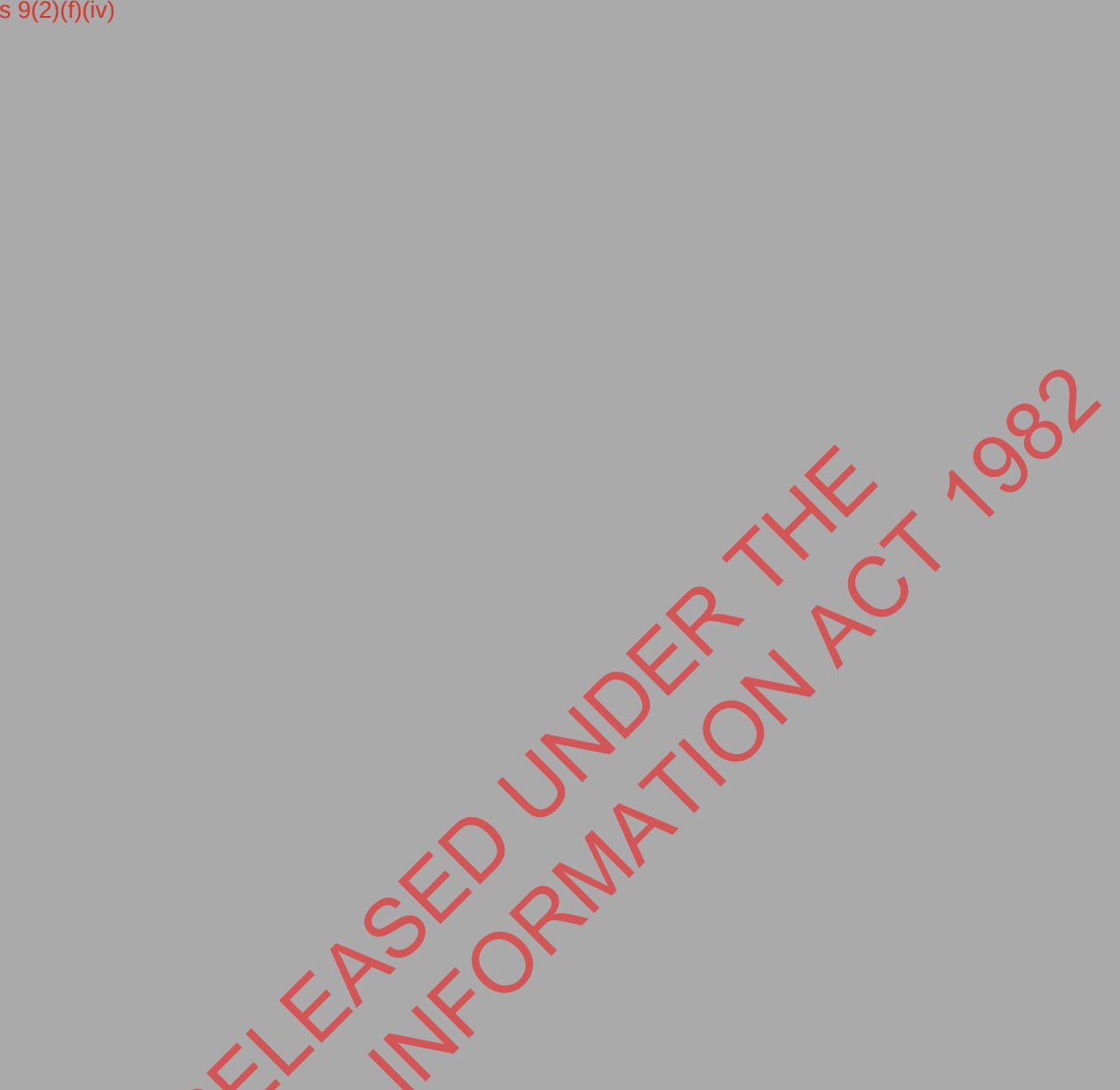
Key points

- The Initiative:
 - wants to talk to you about charging drivers based on the distance they travel (road user charging). They might also offer to invite you to speak at one of their corporate lunches to discuss these topics.
 - think it is fairer to charge drivers based on how far they travel than to charge them based on fuel use. They also think electric vehicles should pay road user charges, and supported the ending of the electric vehicle exemption.
 - s 9(2)(f)(iv)
- The **annex** contains potential talking points. In preparing this briefing we engaged with the Department of Internal Affairs (local government) and the Ministry of Business, Innovation and Employment (energy markets).

Road User Charging

- 1 The Initiative has generally supported the use of road user charges (RUC). Much of their work has focused on advocating for distance-based and location-based charging to manage congestion and optimise network throughput. Their work has highlighted the role that price can play in influencing demand and network use.
- 2 New Zealand's RUC system is based on distance and weight, currently excluding time- or location-based elements. Recent work on time and location charging has focused on charging trips on parts of the network utilising camera technology known as Automatic Number Plate Recognition (ANPR) in Auckland.
- 3 Using ANPR for congestion charging is less expensive than electronic tracking using a combination of GPS and cell networks that would be required for electronic RUC (no in-vehicle device is needed) but is less scalable. ANPR avoids issues with out-of-region vehicles lacking devices entering charging zones but cannot be scaled up to all trips by all vehicles across the country.
- 4 The Initiative, in submissions to Select Committees and media interviews, has generally viewed RUC as a fairer and more equitable way to raise revenue for transport than fuel taxes. This is because distance charges ensure users contribute based on actual road use, not fuel consumption. They also support extending RUC to electric vehicles (EVs), arguing that EVs should contribute to road transport costs like other road users. They emphasise that exempting EVs from RUC, and the potential wholesale uptake of EVs, would risk the financial sustainability of the National Land Transport Fund.
- 5 The Initiative currently has some work underway exploring broader use of road user charging, which you could ask about (see the **annex**).

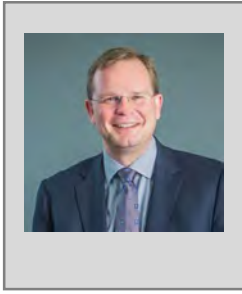
s 9(2)(f)(iv)



Out of Scope



Biographies



Dr Oliver Harthwich, Executive Director, NZ Initiative

Before joining the Initiative, Oliver was a Research Fellow at the Centre for Independent Studies in Sydney, the Chief Economist at Policy Exchange in London, and an advisor in the UK House of Lords. Oliver holds a Master's degree in Economics and Business administration and a PhD in Law from Bochum University in Germany.

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Annex 1: Talking Points

MEETING WITH THE NEW ZEALAND INITIATIVE

s 9(2)(g)(i)

Out of Scope

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Fleet-wide transition workshop on 15 April 2024

- **MARKET-LED AND TECHNOLOGY-ENABLED SYSTEM:**

- Currently, the uptake of the eRUC by light vehicle owners is low, primarily due to cost.
- The eRUC market will need to develop and provide affordable solutions for private motorists.
- Regulatory changes could enable cost-effective options to cater to the light vehicle fleet, such as removing the requirement to display a licence.
- *Would you support regulatory changes to foster market innovation?*

- **TRANSITIONAL SYSTEM:**

- The manual RUC system is being used to transition electric vehicles into RUC and is used by most of the light fleet.
- The manual system, with improvements, could serve as an interim solution if market innovation does not happen quickly and eRUC remains costly for private motorists.
- *Do you see a manual system playing a role in the transition of all vehicles to RUC?*

- **INVESTMENT:**

- The manual system needs improvements to support a larger number of light vehicles

s 9(2)(f)(iv)

- **DESIGN PRINCIPLES AND TRADE-OFFS:**

- Clear principles for designing transition options are crucial.
- There are likely trade-offs between speed of implementation, quality of customer experience and compliance.
- *What principles should guide the design of a system, and is there a preference for speed over customer experience and ensuring compliance?*

Transition full fleet to Road User Charges – high level strategic choices

Strategic approach

Implementation timeframe

Compliance tools

Customer experience

Early cost profile estimates

s 9(2)(f)(iv)

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Key considerations

Challenges exacerbated by transitioning into the existing system

- **User experience:** Big shift for road users moving from an “invisible” tax at the pump to one where they have to pre-purchase in affordable increments. The relatively high cost of the current administrative charges (which is paid per transaction) dissuades smaller purchases of RUC and will disproportionately impact those who can only afford to buy one unit (1,000 kilometres) each time.
- **Revenue leakage:** There will be a risk to revenue unless significant changes are implemented to support compliance and revenue collection. The current system lacks incentives to comply and NZTA’s current debt management abilities are limited. For example, our main compliance tools are sending invoices and calling customers. Existing legal interventions are not cost-effective given the limited amounts outstanding per customer.
- **Operational feasibility:** Fleetwide transition of an additional 3.2 million vehicles is estimated to require NZTA issuing an extra 7 million RUC licences annually (approximately two per year per vehicle). Our debt management processes are manual-heavy processes and will require a significant increase in staff numbers to administer.

Additional actions required

- s 9(2)(f)(iv)
- **A significant communications campaign will be required:** The communications approach would need to be expanded considerably compared to EVs into RUC. There would also need to be a strong focus on engagement and tailored communications to reach all communities.
- **New funding will be required for other activities that FED currently funds:** Funding for activities under section 9(1) of the Land Transport Management Act 2003, such as search and rescue and recreational boating activities, as well as the ACC motor vehicle account funding, would need to be resolved.

Technology opportunities

- s 9(2)(f)(iv)
-

Additional questions

- Given the options are there any elements or components of these approaches that you see as desirable for the transition?
- What are your priorities for the transition?
- What are your expectations for options for the June Cabinet paper?



19 April 2024

OC240243

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 22 April 2024

FLEET-WIDE TRANSITION TO RUC FOR JUNE 2024 REPORT BACK

Purpose

paper outlines the work to improve the land transport revenue system and seeks your confirmation on the content related to the transition of vehicles to road user charges as part of the broader revenue reform work.

Key points

- Cabinet has invited you to report back on work to improve the land transport revenue system. The proposed report back will focus on transitioning all vehicles to paying road user charges (RUC) and explaining the rationale for this transition, but also set out your broader land transport revenue reform agenda.
- We suggest that the report also outlines the work required to improve the RUC system for the transition of all vehicles in January 2027. s 9(2)(f)(iv)
[Redacted]
- Work will continue enabling the development of an electronic, market-led RUC system that provides options for private motorists and as alternative to the NZTA-administered RUC system. This work will be based on the assumption that a fully mature, cost-effective eRUC system is unlikely to be widely available for private motorists by January 2027, but that the regulatory system needs to be designed in a way that will facilitate a market led evolution of the system through time.
- s 9(2)(f)(iv)
[Redacted]
- Feedback is sought on the proposed content (as set out in this briefing) for the report back to Cabinet in June 2024. Further consultations are planned with Infrastructure and Investment Ministers and cross-party or ministerial stakeholders.

Recommendations

We recommend you:

1. **agree** a Cabinet paper be prepared for consideration by Cabinet Economic Policy Committee on 26 June 2024 Yes / No
2. **note** that we will provide you a draft of the Cabinet paper on 22 May 2024
3. **agree** the draft Cabinet paper will outline:
 - a) your overall view on transport funding and the proposed revenue work programme Yes / No
 - b) work underway to increase revenue to fund the Government Policy Statement on land transport 2024 (GPS 2024), reform tolling and move the rest of the fleet to road user charges (RUC) Yes / No
 - c) the transition date for the fleet to RUC in January 2027 Yes / No
 - d) e) your preference to proceed with Option 2 (upgrade current system, as outlined in **Annex 1**) while facilitating the transition to a technology-based RUC system over time Yes / No
 - e) s 9(2)(f)(iv)
 - f)
4. **discuss** this paper with officials at the next revenue workshop Yes / No



David Wood
Deputy Chief Executive, Investment
and Monitoring, Ministry of Transport



Chris Bunny
Group General Manager, System
Leadership, NZ Transport Agency

Hon Simeon Brown
Minister of Transport

..... / /

IN CONFIDENCE

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Matthew Skinner, Manager, Revenue Policy, Ministry of Transport	s 9(2)(a)	
David Wood, Deputy Chief Executive, Investment and Monitoring, Ministry of Transport		
Amy Moorhead, National Manager, Policy, System Leadership, NZ Transport Agency		
Chris Bunny, General Manager, System Leadership, NZ Transport Agency		

IN CONFIDENCE

FLEET-WIDE TRANSITION TO RUC FOR JUNE 2024 REPORT BACK

You are reporting back to Cabinet on land transport revenue reform in June

- 1 When you released the draft Government Policy Statement on land transport 2024-34 (draft GPS 2024) for engagement, Cabinet invited you to report back on proposals to improve the land transport revenue system (CAB-24-MIN-0057 refers).
- 2 This paper seeks your agreement on key matters to be addressed in the Cabinet paper, primarily the content relating to road vehicles moving from fuel excise duty (FED) to road user charges (RUC). This paper elaborates on two workshops where we discussed the transition of the fleet to RUC and your broader views on transport infrastructure funding.

Your view about the funding of land transport infrastructure and work underway

- 3 We understand your general view is that funding for transport infrastructure should come from a combination of:
 - 3.1 **direct charges** – charges paid by users of the infrastructure. Currently, both FED and RUC have elements of a direct user charge, as does tolling.
 - 3.2 **indirect charges** – charges paid by beneficiaries of the roading network who may not be direct users but benefit from their proximity to the infrastructure, such as those who own land near a transport infrastructure (for example, value capture). This has similarities to current local government rates.
- 4 Your view was that a combination of these charges should minimise the role of the Crown in funding infrastructure and mean infrastructure is almost self-funding. If the Crown has to contribute, it should only be for capital and not for ongoing operational expenditure. To deliver this, you have commissioned work to:
 - 4.1 **increase revenue to deliver GPS**, implementing a \$25 increase to the Motor Vehicle Licence fee on 1 January 2025 and 1 January 2026, as well as FED and RUC increases from 2027
 - 4.2 **reform road tolling settings** to improve the cost-effectiveness of the tolling system and review legislative settings to improve the viability of proposed tolling schemes
 - 4.3 **transition the rest of the vehicle to RUC**, which is the focus of this paper
 - 4.4 **establish an expert revenue advisory group**, comprised of external road pricing, technology, and economic experts to advise on system reform.
- 5 We propose the Cabinet paper in June sets out the above work in addition to your overall view on how transport projects should be funded. A key part of the Cabinet paper will be outlining work to transition the fleet to RUC.
- 6 Alongside the work outlined under paragraph 4, you are progressing legislative proposals to enable **time-of-use charging** [briefing OC240307 refers]. You have

indicated this tool should focus on network efficiency, as opposed to revenue gathering. ^{Out of Scope}

- 7 We propose the June Cabinet paper make reference to the Cabinet decisions you will seek in May and for time-of-use charging to be progressed as part of the revenue reform package. Although not strictly a revenue tool, we consider it sensible for Cabinet to have visibility of all tools that will have a financial impact on road users.

Work is underway to transition the fleet to RUC

- 8 The ACT-National coalition agreement commits to work on RUC for all vehicles so that all motorists pay the same amount to use the road based on distance and weight rather than the type of fuel that powers their vehicle's engine.
- 9 We propose that the Cabinet paper sets out:
- 9.1 the rationale for transitioning the fleet to RUC
 - 9.2 key features of the initial RUC system
 - 9.3 funding requirements
 - 9.4 longer term transition to a market-led technology enabled RUC system, and to work to facilitate its development.
- 10 You have indicated you would like us to work up what would need to be in place for a fleetwide transition to RUC on 1 January 2027. We will provide you with further advice on whether this particular date would be appropriate for implementation, considering potential challenges such as the fact that it falls on a public holiday.

Key rationale for transitioning the fleet to RUC is to improve the sustainability and fairness of our land transport revenue system

- 11 Your rationale for transitioning the fleet to RUC is to enhance the long-term sustainability of our land transport revenue system and provide payers with more visibility of how their contribution to land transport investment is spent.
- 12 Our land transport revenue system currently operates a dual model, consisting of RUC and FED. RUC rates are set by weight and distance, whereas FED is calculated based on the quantity of fuel consumed. Both mechanisms aim to generate revenue for transport expenditure, broadly reflecting usage. Distance-based charges are a more accurate measure of usage compared to volume or litres-based charges due to variances in fuel efficiencies of petrol vehicles.
- 13 The number of light RUC vehicles has been increasing and will continue to do so as more people switch to electric vehicles (EVs). Despite this shift towards RUC, most vehicles (around 75 percent of the fleet) are still paying FED.
- 14 Our revenue forecasts suggest that FED revenue will decrease from 2028. The erosion of excise duty is due to the adoption of more efficient petrol vehicles and EVs. The shift to EVs will result in increased RUC revenue. However, to mitigate revenue

lost through improved fuel efficiency, FED will need to be increase, which will further increase the variance in charges paid for efficient and inefficient petrol vehicles.

s 9(2)(f)(iv)

Transitioning the fleet into the current manual RUC system is likely to be challenging

- 17 The existing RUC system is highly manual, s 9(2)(f)(iv), and few user features that many customers would expect from a modern payment system. The key issues with the existing system are:

17.1 **user acceptability.** Purchasing RUC can be easily forgotten or may not be budgeted for, resulting in non-compliance, lost revenue, and debt/write-offs. Compliance is primarily checked during warrant of fitness inspections, which poses particular challenges for low-income households.

17.2 **compliance.** RUC compliance for registered light vehicles is currently around 95 percent but NZTA considers this is likely to decrease with a fleet-wide transition into RUC (non-compliance involves write-offs of RUC debt from registered vehicles). In addition to non-compliance, there is an issue of revenue leakage from non-registered vehicles. We are planning to manage and mitigate these risks through improvements to our compliance and investigation systems. The planned cost-benefit analysis will provide more detail around the potential scale of revenue lost due to non-compliance and leakage.

17.3 **administration.** Adding 3.5 million additional vehicles into the RUC system (as it is currently configured) will require significant resources changes. s 9(2)(f)(iv)

Upgrade to manual RUC system can improve user acceptability, compliance and administration for January 2027

- 18 We recommend the Cabinet paper outline that transitioning the fleet onto the existing system would be unlikely to meet your revenue sustainability objectives. Investing in a

package of upgrades to the RUC system would deliver a significantly improved system that would ensure the fleetwide transition is successful.

- 19 We have developed three, high-level strategic options to transition the fleet, which aim to address the issues with the current manual-based system outlined above. [REDACTED]

s 9(2)(f)(iv)

[REDACTED] The main difference between each of these options is what improvements can be achieved for different implementation timeframes and cost (see Annex 1 for more detail).

s 9(2)(f)(iv)

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OFFICIAL INFORMATION ACT 1982

s 9(2)(f)(iv)

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

An electronic market-led RUC system could emerge providing options for road users

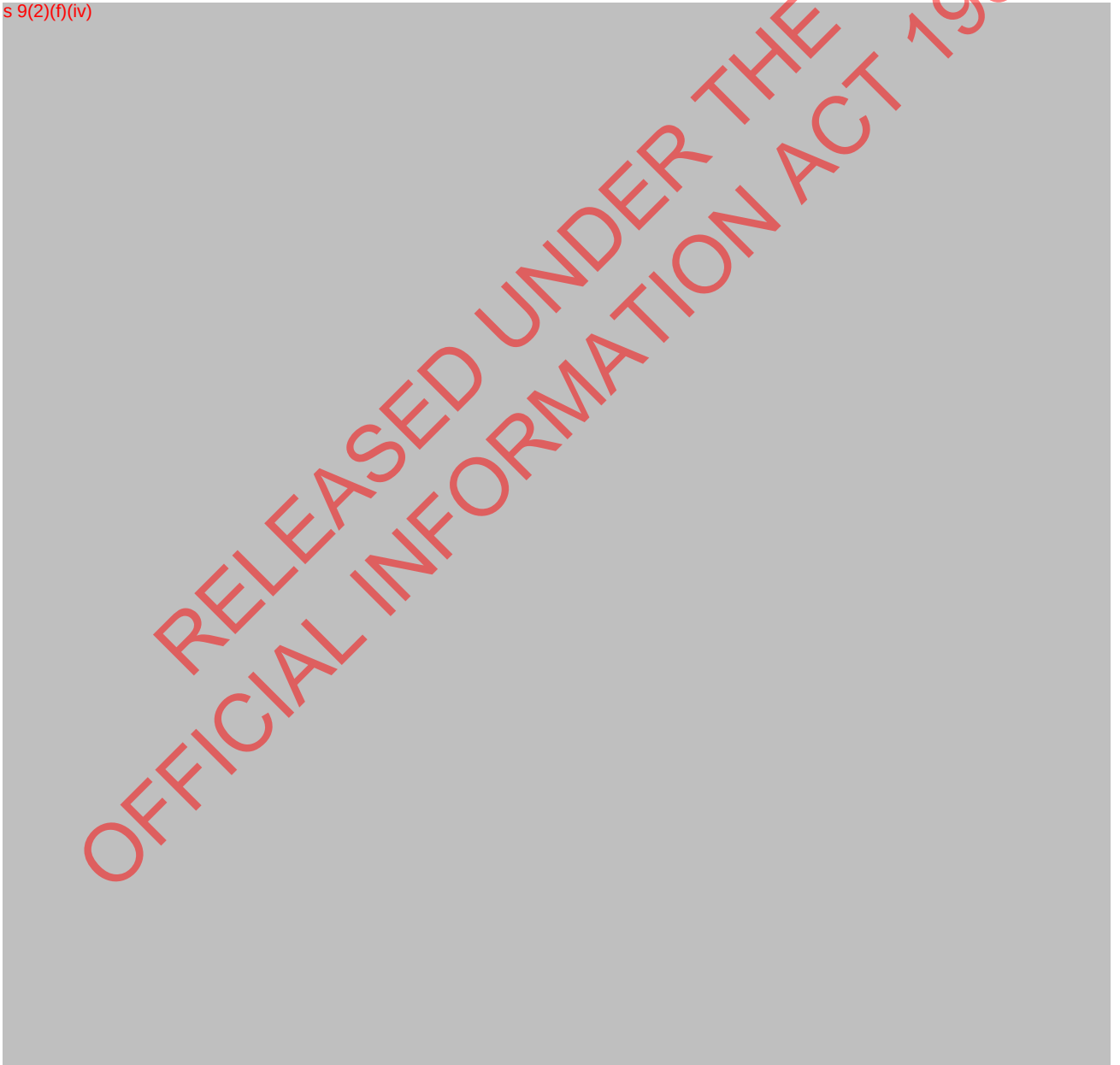
- 32 Electronic systems can offer features such as recording distance, time, and location of travel, and automatically renew or purchase a licence without driver intervention. They could also facilitate the future implementation of smarter tolling and time-of-use charging within the same system. A RUC system that is market-led and technology-enabled could offer options that address the needs of a diverse group of road users.

- 33 A market-led and competitive delivery model for RUC would allow road users to choose their preferred payment service provider. Such an approach draws on the existing eRUC system, which operates alongside the current system. The current opt-in eRUC enables the automatic administration and renewal of RUC licences, mitigating the compliance risk and additional hassle associated with RUC.

34 s 9(2)(f)(iv)



s 9(2)(f)(iv)



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Next steps in reporting back to Cabinet and progressing the transition

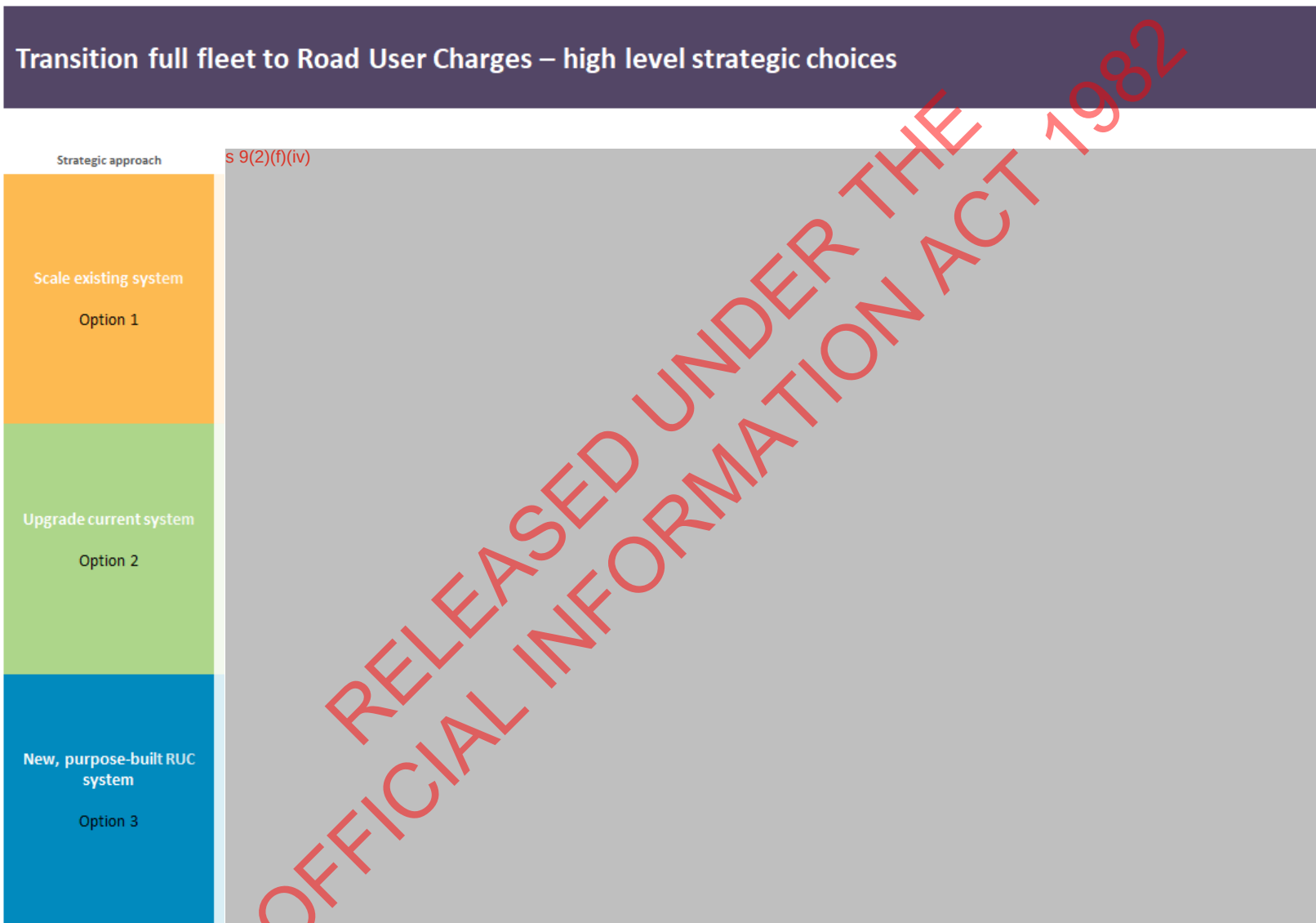
- 39 We are working to the timetable below for the paper to be considered by Cabinet Economic Policy Cabinet Committee then Cabinet. .

Date	Deliverable
8 May 2024	Consideration by the Infrastructure and Investment Ministers Group
22 May 2024	Draft Cabinet paper provided to Minister
27–31 May 2024	Departmental consultation on draft Cabinet paper
3–14 June 2024	Ministerial & cross-party consultation on the draft Cabinet paper
17 June 2024	Final Cabinet paper (reflecting changes from consultation)
20 June 2024	Lodged for ECO
26 June 2024	ECO
1 July 2024	Cabinet confirmation

- 40 Beyond the first Cabinet paper, next steps in progressing the transition include finalising the system improvements and work programme for Cabinet's agreed implementation date, s 9(2)(f)(iv)

- 41 We will also need to prepare a further paper seeking Cabinet's approval to progress with the transition. This will require sufficient information to allow Cabinet to commit to the transition, including a cost-benefit analysis and regulatory impact statement, specific details of the transition, and seek approval for legislative changes. Subject to the direction and the scheme design, it may require a two-stage legislative process, with the first stage designed to make necessary changes, and the second stage to give effect to the outcome of NZTA's system reform work.

Annex 1: Transition strategic choices



Revenue potential of additional funding tools

Minister of Transport presentation
Infrastructure and Investment Ministers Meeting

8 May 2024



Te Kāwanatanga o Aotearoa
New Zealand Government

The status quo relies heavily on FED and RUC and local rates

Revenue sources

Road users (\$4.3b)

- Fuel Excise Duty (\$2.2b)
- Road User Charges (\$1.9b)
- Motor Vehicle Rego (\$0.2b)
- Management of Crown land (\$75m)
- Tolling (\$31.8m)
- Interest (\$3m)

Revenue is also supported by a range of financing e.g., shock facility \$200m, seasonal facility \$300m, GPS 2021 facility \$2b.

Targeted & General Rates (\$0.67b)

Developer Contributions (\$0.4b)

Passengers on public transport (\$0.13b)

Taxpayers (\$2b)

The Government can use the general tax base to support the delivery of transport programmes. In recent years this has included:

- NZ upgrade programme
- provincial growth fund
- climate emergency response fund
- cost of living support package

The amount varies from year to year and depending on the Government's priorities

Major activities

Funded via the National Land Transport Fund

- State highway maintenance and development
- Road policing
- Waka Kotahi

Shared with local government

- Local roads
- Public transport

Key areas of Crown funding

- Emissions Reduction Initiatives
- Major projects

- Wider government priorities (e.g., SuperGold concession)

Currently, our main land transport revenue-generating tools are:

- **Fuel excise duty:** 70 cents per litre of petrol
- **Road user charges:** \$76 per 1,000 km for light diesel and electric vehicles. Heavy vehicles are subject to differentiated rates based on their weight

Together, these two tools raise about \$4 billion per year for the National Land Transport Fund (NLTF).

Out of Scope

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Total potential revenue from utilising all sources

Potential tool	Estimate of annual revenue potential
Shifting all vehicles to RUC	\$ 9(2)(f)(v)
Out of Scope	

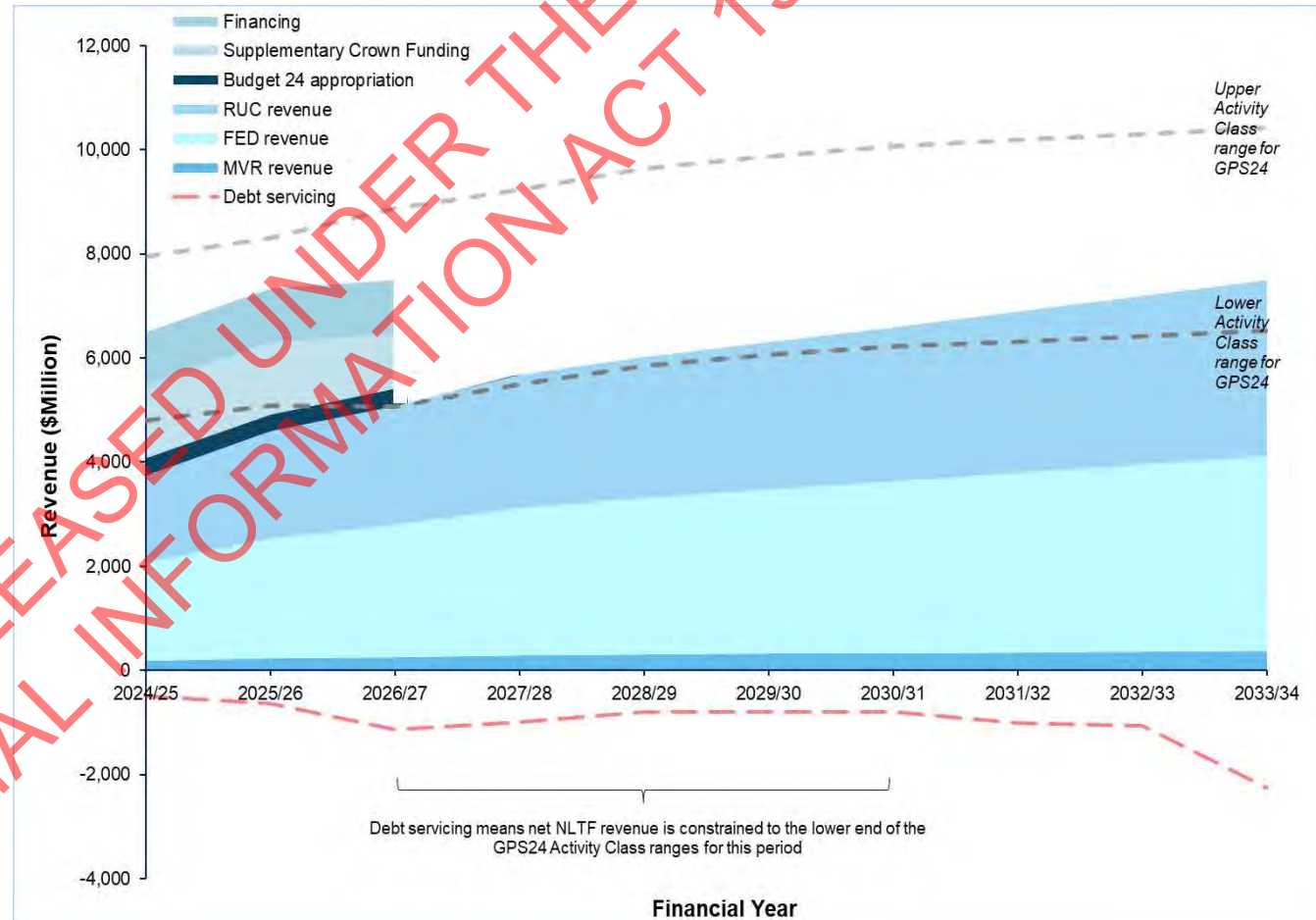
Each tool is further explained on the subsequent slides, including the relevant assumptions. Many of the charges (such as tolling) wouldn't have an impact until new roads are completed.

For many tools, the full level of revenue outlined would not be utilised until circa 2035.

Each tool can potentially be scaled, subject to willingness to set higher charge.

We have agreed to the GPS 2024 revenue package

- **Motor Vehicle Licencing increases** – two \$25 increases to the Motor Vehicle Licence in 2025 and 2026.
- **FED and RUC increases** –
 - a 12-cent per litre increase to FED in 2027
 - a 6-cent increase per litre in 2028
 - annual ongoing increases of 4 cents per litre **from 2029**
- **Debt financing** – \$3.08 billion
- **Crown grants** – \$3.14 billion
- **Budget24 tagged contingency** – \$1 billion



Shifting all vehicles to RUC will generate marginal additional revenue

- **Primary purpose:** Transitioning vehicles to RUC will ensure that everyone is subject to a fair and modern charging system, with options for future evolution.
- **Raise slightly more revenue:** The light RUC rate is about 17% higher than the average FED paid based on distance travelled. s 9(2)(f)(iv)
- **RUC has compliance risks:** Total RUC revenue will depend heavily on the robustness of the system and compliance as RUC is easier to evade than FED, which could impact revenue.
- **RUC has higher admin costs:** Total RUC revenue could be impacted by higher admin costs (about 3-4% of revenue, compared to less than 0.1% for FED).

Out of Scope

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Next steps – Cabinet paper proposing an action plan to improve our land transport revenue system

In June, I will present a Cabinet paper to the Economic Policy Committee. The paper will outline an action plan to improve the land transport revenue system by:

1. **Transitioning the Fleet to RUC:** seeking agreement to a transition date, and outlining the next steps in the transition process, s 9(2)(f)(iv)

Out of Scope

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23 May 2024

OC240518

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 27 May 2024

LAND TRANSPORT REVENUE ACTION PLAN: DRAFT PAPER

Purpose

To provide you with a draft Cabinet paper setting out an Action Plan to redesign and reform the land transport revenue system. The draft Cabinet paper has been substantially redrafted to take on board the feedback of the Revenue Expert Advisory Group.

Key points

- The attached Cabinet paper sets out an Action Plan to redesign and reform the land transport revenue system. We have worked closely with the New Zealand Transport Agency (NZTA) to design the Action Plan. We are keen to discuss the paper with you at the Transport Officials' meeting during the week of 27 May 2024.
- An earlier draft of the Cabinet paper was shared with the Revenue Expert Advisory Group, which provided feedback. It was then redrafted based on this feedback. A summary of the feedback is attached for your information.
- The Action Plan includes a range of matters, including moving the entire vehicle fleet into the road user charges (RUC) system by 2027, **Out of Scope**
 [Redacted text block]
- Legislative change will be required to deliver on many of these key actions. **s 9(2)(g)(i)**
 [Redacted text block] **Out of Scope**
 [Redacted text block]
- You have indicated you wish to present the Action Plan to Cabinet for approval on 26 June 2024. The table below sets out a timeline for getting to Cabinet in this timeframe. This leaves limited time for refinement, so we recommend that you consider the option of deferring slightly to provide you with more time to discuss these matters further with your Cabinet colleagues before presenting the paper.
- We are seeking your early feedback on this draft of the Cabinet paper. We will also provide you with a paper setting out a revised policy design for time of use charging, for consideration at the same meeting.

Step	Date
Briefing to Minister	23 May 2024
Minister provides feedback	27 May 2024
Revised draft Cabinet paper to Minister	29 May 2024
Minister provides feedback	3 June 2024
Updated Cabinet paper to Minister	4 June 2024
Ministerial and departmental consultation	4–18 June 2024
Update paper from consultation	18 June 2024
Minister approves final paper	19 June 2024
Lodged	20 June 2024
ECO	26 June 2024
Cabinet	1 July 2024

Recommendations

We recommend you:

- 1 **provide feedback** on the attached draft of the Cabinet paper at the Transport Officials' meeting during the week of 27 May 2024 Yes / No
- 2 **note** that officials will provide you with a revised draft, based on your feedback, for further review on Wednesday 29 May 2024



Matt Skinner
Manager, Revenue
23 / 05 / 2024

Hon Simeon Brown
Minister of Transport
..... / /

Minister's office to complete:

- ☐ Approved
 ☐ Declined
☐ Seen by Minister
 ☐ Not seen by Minister
☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Brent Johnston, Chief of Staff	s 9(2)(a)	
Matt Skinner, Manager Revenue		✓
Huan Lan Yap, Principal Adviser Revenue		

LAND TRANSPORT REVENUE ACTION PLAN: DRAFT PAPER

New Zealand's land transport revenue system is increasingly not fit-for-purpose

- 1 For a long time, New Zealand's transport revenue system has been predominantly based around fuel excise duty (FED) and road user charges (RUC). These two funding tools have generated most of the revenue for investment in the transport network. Other funding tools within the broader system include motor vehicle registration and licensing fees, local revenue (mostly through rates).
- 2 This system is increasingly under strain, and in recent years, Crown grants and loans have been required to ensure that sufficient revenue is available. Increasing fuel efficiency of petrol and hybrid vehicles also means that owners of similar vehicles that use different fuels are often contributing different amounts to the system, despite giving rise to similar costs.
- 3 You have indicated a desire to raise additional revenue, as well as making the revenue system fairer (by ensuring as much as possible that users pay the same amount regardless of vehicle or fuel type where they give rise to the same costs) and more efficient. The first steps to realising this goal have already happened, with the expiry of the RUC exemption for light electric vehicles on 1 April 2024. Approximately 105,000 electric and hybrid vehicles are now required to purchase RUC licences.

Out of Scope

Engagement with the Expert Advisory Group

- 5 We shared an early draft of the Cabinet paper with the Expert Advisory Group, and they provided us with substantial feedback. Based on the feedback received, the Cabinet paper has undergone significant revisions. The group has provided a summarised version of its feedback on the earlier version of the paper for your consideration alongside the updated paper.

We have prepared an Action Plan

- 6 The Ministry of Transport (the Ministry) and the New Zealand Transport Agency (NZTA) have worked closely together to prepare an Action Plan to accomplish your goals. The Action Plan is focused on accomplishing four key actions within this term of government:

6.1 Out of Scope

6.2 Out of Scope

Out of Scope

6.4 Transition all light vehicles from fuel tax to RUC. 2027 is the target date for completing this transition, with Cabinet to confirm an implementation plan and specific date later in 2024.

- 7 Alongside the Action Plan, we have provided two one-page documents setting out a high-level overview of the work programme, objectives, and next steps. These are intended to help you talk your colleagues through the work programme. They set out the proposed approach for implementing the separate revenue tools individually to begin with, but future-proofing the system in a way that will enable a move to technology-based solutions that bring the tools together into a cohesive charging system in the longer-term. These are currently illustrative and will need further updates in the coming weeks based on our initial discussions with you, and work that we are doing with NZTA to better understand the next steps for the work programme.

You are scheduled to present the Action Plan to Cabinet in June 2024

8 Out of Scope

- 9 Legislative change will be necessary to implement most of the actions, including amendments to:

9.1 The Road User Charges Act 2012 (and associated regulations) to bring all vehicles into the RUC system and implement improvements to that system.

9.2 The Land Transport Management Act 2003 to implement changes to the legal framework for tolling and enable time of use charging in New Zealand.

10 Out of Scope

11

Land Transport Revenue Action Plan

For a fairer and more sustainable revenue system

s 9(2)(f)(iv)

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Land Transport Revenue Action Plan



Out of Scope

s 9(2)(f)(iv)

Transition **all light vehicles to RUC** to ensure the better allocation of costs and enable future innovations like variable road pricing.

Out of Scope

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13 June 2024

OC240635

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 17 June 2024

LAND TRANSPORT REVENUE ACTION PLAN: DRAFT CABINET PAPER POST-CONSULTATION

This briefing accompanies a revised version of the Land Transport Revenue Action Plan Cabinet paper following departmental consultation for your feedback.

Key points

- 1 We have completed departmental consultation on the draft Cabinet paper, which is updated and attached. We received substantial feedback from departments and agencies and have largely incorporated it to align with the direction of the Action Plan.
- 2 Some feedback we received raises matters that are outside the Action Plan or current Cabinet decisions, and which we propose to consider separately. Issues include the allocation of funding and the balance between National Land Transport Fund (NLTF) and local government funding for local transport projects.

Revenue sufficiency will remain a challenge

- 3 We understand from the development of the Government Policy Statement on land transport 2024 (GPS 2024) that your view is:
 - 3.1 the maintenance and operating costs of land transport at a minimum should be self-funded by users and beneficiaries
 - 3.2 where new infrastructure is not funded by the NLTF, financing or other private sector approaches should be considered first, with future repayments funded by road users where possible
 - 3.3 the need for additional funding by the Crown should be reduced.
- 4 Departmental consultation raised concerns about whether the proposed actions in the Action Plan would deliver enough revenue to reduce reliance on Crown funding. We heard that the plan should also address how much revenue needs to be raised, in addition to focussing on how the existing and new tools would raise revenue.
- 5 The additional tools, such as tolling and value capture, are likely to provide only modest revenue at best, and the transitioning of the fleet to RUC is not primarily about raising more revenue.

- 6 Despite the Action Plan, funding and revenue is likely to remain an ongoing challenge. We have amended some language in the Cabinet paper to address this concern raised by agencies. The Cabinet paper notes this initial work is to expand our set of tools, and further work will be required through review of overall settings of the tools (and rates) once they are in place, alongside consideration of future investment settings. ^{s 9(2)(f)(iv)}

Reviewing the framework relating to funding assistance rates

- 7 Feedback from the Treasury suggested including FAR within scope of the Action Plan, given the setting of FAR directly impacts funding available for NZTA activities.
- 8 Local government receives NLTF funding for approved local land transport projects (local roads, public transport, walking and cycling), while New Zealand Transport Agency (NZTA) projects (including State highways) are funded entirely by the NLTF.
- 9 The NLTF contribution towards a local project is determined by the funding assistance rate (FAR). FARs vary depending on local ability to pay and needs. The NZTA sets FARs based on criteria from the Minister of Transport. Criteria have been set only once, in 2008.
- 10 The national average FAR is 53 percent; but it ranges widely for some smaller councils, from 51 percent in major cities to 88 percent in the Chatham Islands. Local government has a strong interest in FAR rates. Even small changes (in the order of 1 to 5 percent) will receive considerable scrutiny and concern, given the direct impact on expenditure and local government rates. Local government typically seeks higher FARs to avoid raising rates, while higher FAR reduces the number of projects that can receive NLTF funding and can put pressure on national priorities.
- 11 As FAR rates are not a 'revenue tool' in that they do not generate national revenue, we have not proposed a review in the Action Plan. However, it is important to consider FAR when looking at the full range of transport funding as it heavily influences how much local share is required for transport and the incentives on local government to ensure clear setting of priorities and revenue raising.
- 12 We have amended the Cabinet paper to indicate you will request advice on this matter as part of the early thinking on GPS 2027.

Reforming investment or allocation settings

- 13 Departmental feedback suggested a fundamental review of the framework and policy settings guiding expenditure and the overall transport allocation system. Feedback proposed examining how we select projects to fund, ensuring investment aspirations align with forecast revenue, preventing project commitments from exceeding construction sector capacity, and prioritising projects that balance benefits and costs.
- 14 Since these issues relate more to the investment or allocation system than revenue settings, we recommend these are not addressed through the Revenue Action Plan

but instead as part of the ongoing improvement work signalled as part of GPS 2024, including adopting a 10-year National Land Transport Programme.

The Action Plan proposes a challenging work programme in the current climate

- 15 Comments were received that the Action Plan presents a challenging work programme, and that implementing some actions alone is likely to be extremely difficult, especially given current cost of living pressures. There is a risk of adverse public reaction to the proposed actions, particularly if they are perceived as imposing new costs rather than just changing how existing costs are collected and distributed.
- 16 Many actions may increase costs for at least some households (even though they might reduce them for others). A number of agencies provided feedback that cost increases are likely to be disproportionately felt by specific population groups (for example, women, people with disabilities, and Pasifika). We have noted this in the relevant section of the Cabinet paper, and will engage with relevant population agencies as the work outlined in the action plan progresses.

Communications

- 17 We have prepared a draft press release and related communications material should you wish to announce the Action Plan publicly. Public communication, focusing on the issues with the status quo, will likely be essential to build support for the reforms.

Next steps in finalising the paper

- 18 Below is an outline of next steps for finalising and lodging the Cabinet paper. We will provide your office with talking points for ECO on 26 June 2024.

Step	Date
Minister approves final paper	19 June 2024
Lodged	20 June 2024
ECO	26 June 2024
Cabinet	1 July 2024

Recommendations

We recommend you:

- 1 **agree** that work reflecting departmental feedback on overall revenue sufficiency, funding investment priorities, and reviewing funding assistance rates be considered in a separate project, alongside future investment needs, once the work on improving existing revenue tools is complete Yes / No
- 2 **provide feedback** on the revised Cabinet paper and draft press release attached
- 3 **note** that officials will provide you with a final Cabinet paper for your approval on Wednesday 19 June 2024 before lodgement on Thursday 20 June 2024



Matt Skinner
Manager, Revenue
13 / 06 / 2024

Hon Simeon Brown
Minister of Transport
..... / /

Minister's office to complete:

- ☐ Approved
 ☐ Declined
☐ Seen by Minister
 ☐ Not seen by Minister
☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Brent Johnston, Chief of Staff	s 9(2)(a)	
Matt Skinner, Manager Revenue		✓
Huan Lan Yap, Principal Adviser Revenue		

**BRIEFING**

25 July 2024

OC240822

Hon Simeon Brown
Minister of Transport

Action required by:
19 August 2024

PROACTIVE RELEASE OF LAND TRANSPORT REVENUE ACTION PLAN

Purpose

Seek your approval to publish the Cabinet Paper and associated minutes on the Land Transport Revenue Action Plan on the Ministry of Transport's website.

Key points

- The Cabinet paper proposed for release outlines the key elements of the land transport revenue work programme for this term of Government. We seek your permission to release the Cabinet paper and minute relating to the Action Plan at the time of your announcement in the coming weeks. Cabinet guidelines require papers to be released no later than 30 business days following final decisions (19 August 2024).
- We propose to release as much of the high-level information from the Cabinet paper as possible, withholding only certain detailed aspects that are still under active consideration and subject to future decisions. Given the background briefings leading up to the Cabinet paper include much more detail that is still part of the policy development, we do not propose to proactively release them at this stage.
- Key points of interest are likely to be:
 - Transition of the fleet to road user charges (RUC) and why the specific date of 1 April 2024 was chosen. Should questions arise, you could emphasise that this is currently a target to be confirmed in November 2024, subject to further scoping and planning of work to improve the RUC system. The target date balances moving quickly on a Government priority and allowing time for the necessary work to prepare for the transition

Out of Scope

- A response to likely questions on the information proposed for release is that this is a work programme, and the decisions so far are all subject to further advice and consideration. In addition, you can refer to the establishment of the Stakeholder Reference Group as an approach you are taking to ensure the views of industry and public representative groups are considered as part of the policy development.

Recommendations

We recommend you:

- | | | |
|---|---|--------|
| 1 | approve the Ministry to publish the Revenue Action Plan Cabinet paper and associated minutes, with redactions as marked, on the Ministry's website | Yes/No |
| 2 | note that to meet the timeliness required by Cabinet Office circular 18(4), the documents must be published by 19 August 2024 | |



Matt Skinner
Manager, Revenue

25 / 07 / 2024

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Matt Skinner, Manager, Revenue	s 9(2)(a)	✓
Brent Johnston, Chief of Staff		

Annex 1: Documents proposed for the release on the Ministry of Transport website

Doc #	Date	Title	Type
1	1 July 2024	Land Transport Revenue Action Plan	Cabinet Paper
2	1 July 2024	Minute of Decision: Land Transport Revenue Action Plan	Committee Minute
3	8 July 2024	Minute of Decision: Land Transport Revenue Action Plan	Cabinet Minute

s 9(2)(f)(iv)

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Building, funding, and maintaining the roads of the future

Minister of Transport presentation
Building Nations Conference 2024

29 August 2024



Te Kāwanatanga o Aotearoa
New Zealand Government

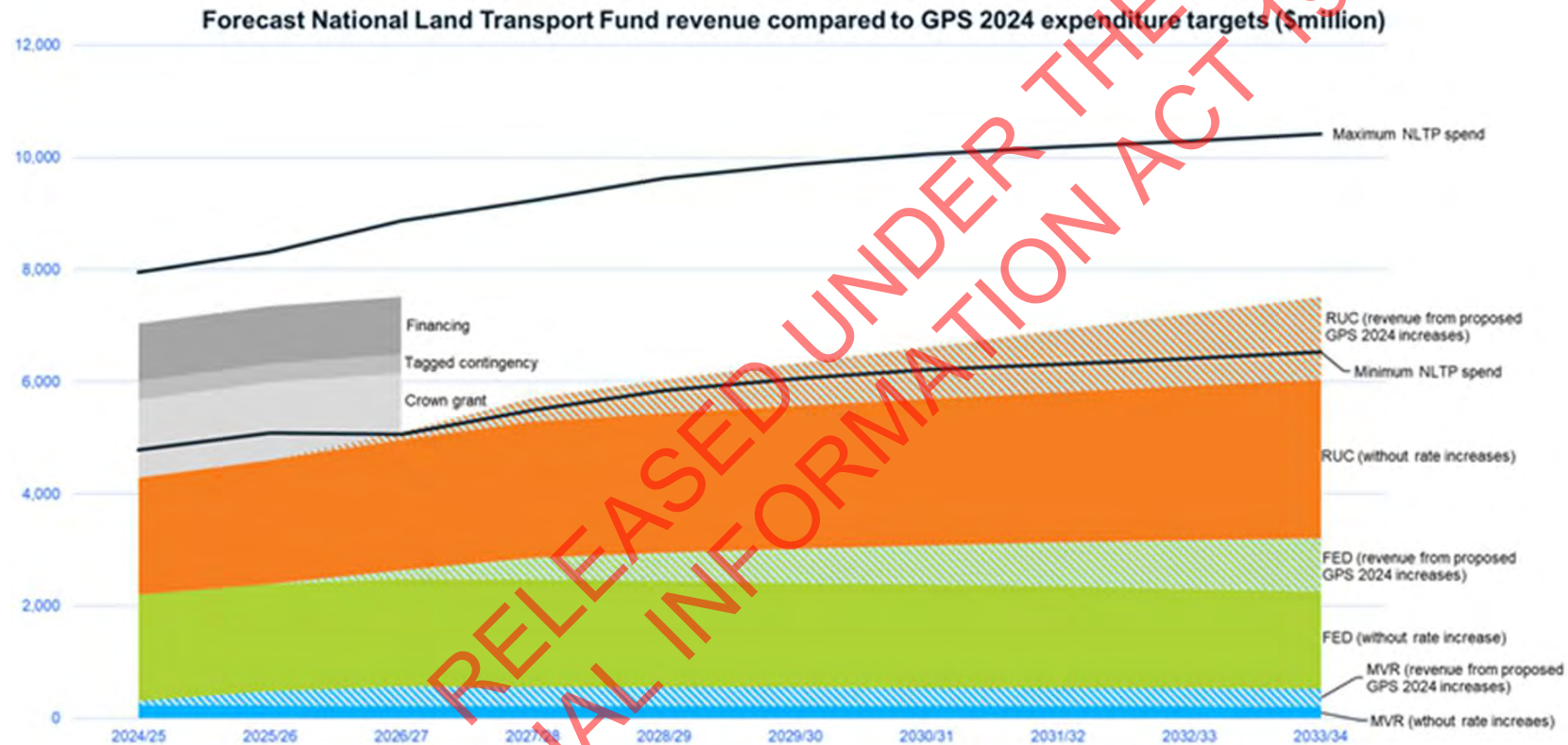
Ambitious programme to deliver the infrastructure we urgently need

- **Significant pipeline** of transport infrastructure to unlock economic growth and productivity across New Zealand, including 17 Roads of National Significance.
- **Fast-track legislation** to ensure stable pipeline of consented infrastructure projects.
- **Certainty to infrastructure sector** to develop and retain skills in New Zealand.
- **\$22 billion programme** of investment over next 3 years through GPS 2024.

Our transport revenue system is under pressure

- **Funding shortfall:** We have not been collecting enough revenue and are increasingly relying on Crown funding, not users and beneficiaries.
- **Unfairness:** Current system is based on fuel consumption, not actual road usage.
- **Under-utilised tools:** Not all beneficiaries of infrastructure contribute to its cost, and current tools do not optimise network use.
- **Funding disconnect:** Users don't see where their money goes, and there is a lack of transparency.

Illustrating the funding shortfall



- 2024/25–2026/27 — additional funding provided to deliver the expenditure committed to in GPS 2024.
- 2027/28–2033/32 — fuel excise duty and road user charges rate increases provide more revenue, but more funding will be needed to fully deliver GPS 2024 commitments.

How we are going to address these issues

We need to redesign and reform our revenue system to prioritise:

- **Users and beneficiaries:** Those who use or benefit should cover their costs.
- **Efficiency:** Make the system efficient and optimise use.
- **Revenue sufficiency:** Raise enough revenue to improve and maintain the network.
- **Choice and competition:** Provide users choice, and foster innovation.

Cabinet has agreed to a Revenue Action Plan

Five key actions:

1. **Increase to existing charges:** The Motor Vehicle Licencing Fee is increasing \$25 next year and the year after. The first time in about 30 years.
2. **Time of use charging:** Progress legislation through the House this term.
3. **Effectively use tolling:** Better use existing tolling provisions, consider legislative reform and identify real cost efficiencies in our tolling back office.
4. **Use the full range of tools:** This includes the role of private capital and PPPs.
5. **Fleetwide transition to road user charges:** Work to move petrol vehicles to RUC, from paying based on litres consumed to distance travelled.

Next steps: Our approach to undertaking major reform

- **Communication is key:** public acceptability is one of the biggest challenges but is essential to success.
- **Phased approach:** Making meaningful incremental changes that endure, not short-lived overhauls.
- **Importance of market soundings:** Recognise expertise outside government, not all good ideas come from within government
- **Sound legislation:** Looking to progress legislation next year for Time of Use Charging.

Timeframe: Our approach to undertaking major reform

2024	2025	2026	2027
• Further investigation • Market testing • Policy and legislative design	• Progressing legislation for tolling and to improve the RUC system	• System improvements and implementation of new legislation	• Possible commencement of moving petrol vehicles to RUC
Ongoing communication – engagement with the sector and New Zealanders			



19 September 2024

OC241078

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 23 September 2024

FIRST DRAFT CABINET PAPER: REVENUE – OCTOBER REPORT BACK

Purpose

Seek your feedback on the first draft of a Cabinet paper relating to the transition of the petrol fleet to road user charges (RUC).

Key points

- This draft Cabinet paper proposes changes to the RUC system in New Zealand.
-
- The RUC proposals focus on work to improve the RUC system before the transition begins in 2027. The paper proposes that the Ministry undertake market engagement on the system's proposed key features and measures necessary to minimise the revenue impact, improve compliance and enforcement, provide flexible payment options, and promote private sector participation.
- Given this is a first draft that will be subject to iteration, we have included more detail in here than what is likely necessary for Cabinet's consideration. We will refine the level of detail based on your initial feedback.

Recommendations

We recommend you:

1 **provide** feedback to officials on the draft Cabinet paper

Yes / No



Matt Skinner
Manager, Revenue

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:☐ Approved☐ Declined☐ Seen by Minister☐ Not seen by Minister☐ Overtaken by events**Comments****Contacts**

Name	Telephone	First contact
Matt Skinner, Manager, Revenue	s 9(2)(a)	✓
Brent Johnston, Chief of Staff		

DRAFT CABINET PAPER: REVENUE – OCTOBER REPORT BACK

Draft Cabinet paper enclosed for your review

1 A draft Cabinet paper is attached for your review, seeking:

1.1 Out of Scope

1.2 in-principle agreement to reform the road user charges (RUC) system for the transition of the light fleet and for the Ministry of Transport to engage with the market to gauge private sector interest and understand their requirements for participating in the new RUC system.

2 This briefing provides further detail on these two matters and next steps. The immediate next step is for you to provide feedback to officials and agree to share the paper with your Ministerial colleagues. At the time of Ministerial consultation, we will consult other departments on the paper.

Out of Scope

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Out of Scope

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RUC system for the transition

- 10 The paper sets out the next steps in improving the RUC system for the transition of the light petrol fleet, which will commence as soon as 2027. The paper seeks endorsement to the Ministry of Transport engaging with potential private sector providers to understand their interest and capabilities in being involved in a reformed RUC system. Better understanding of their future role will enable us to progress design in a way that is future-proofed and enabling of private sector involvement. The paper proposes that officials will focus on several proposed features of a new RUC system, namely:
- 10.1 **minimising revenue impact:** Ensuring revenue collected from RUC is comparable to the revenue currently collected from fuel excise duty (FED).
 - 10.2 **effective compliance and enforcement:** Ensuring light vehicle owners comply with RUC requirements.
 - 10.3 **flexible payment options:** The new system should offer various payment options, including online payments, mobile apps, and automatic payments.
 - 10.4 **private sector participation:** The private sector will be encouraged to participate in the RUC system by providing innovative solutions and services.
 - 10.5 **smooth transition:** The transition should be carefully planned to minimise revenue loss and ensure a smooth switchover for all road users.
- 11 Officials will report to you on the outcomes of market engagement, and more detail on features of the transitional system to enable you to report back to Cabinet in March 2025 seeking policy decisions and approval to begin drafting legislation.
- 12 The Cabinet paper identifies the potential for interim changes before a more substantial legislative reform. We have identified changes that can be made by secondary legislation that could reduce entry barriers for potential participants in the shorter term so they are better prepared for a transition. We will have a better sense of the scope and priority of these changes following market engagement. Officials will report back to you separately, outlining the next steps in making these interim changes to the RUC system by Order in Council.

Timeline for Cabinet's consideration of the paper

Date	Step
23 September 2024	Provide feedback on the draft paper
26 September to 10 October 2024	Ministerial & cross-party consultation Departmental consultation.
17 October 2024	Lodge the paper
23 October 2024	Cabinet Economic Policy Committee
28 October 2024	Cabinet



9 October 2024

OC241185

Hon Simeon Brown
Minister of Transport

MEETING WITH THE ICELANDIC MINISTER OF FINANCE AND ECONOMIC AFFAIRS

Snapshot

Both Iceland and New Zealand have recently introduced distance-based road user charges (RUC) for light electric vehicles. Iceland plans to expand RUC to all vehicles next year, while New Zealand is also working towards implementing RUC across its entire vehicle fleet beginning in 2027.

Time and date	9.30 to 10 pm, 9 October 2024
Venue	Virtual meeting
Attendees	Sigurour Ingi Jóhannsson, Minister of Finance and Economic Affairs
Officials attending	Chris Nees, Acting Chief of Staff Andrew de Montalk, Senior Adviser Revenue
Agenda	Network outcomes contracts Transition to road user charges
Talking points	Annex 2

Contacts

Name	Telephone	First contact
Daniel Cruden, Acting Manager, Revenue	s 9(2)(a)	✓
Andrew de Montalk, Senior Adviser, Revenue		

MEETING WITH THE ICELANDIC MINISTER OF FINANCE

Key points

- You are meeting Sigurour Ingi Jóhannsson (pronounced “Sig-ur-dur”), Iceland’s Minister of Finance and Economic Affairs. He previously served as the country’s Prime Minister (2016-17) and has had a range of portfolios, including serving previously as the Minister of Infrastructure, Transport and Local Government (2017-2021). **Annex 1** is a short biography.
- You initially requested this meeting to discuss Iceland’s transition to road user charges (RUC). Minister Jóhannsson has previously expressed an interest in New Zealand’s approach to contracting roading activities (‘network outcomes contracts’, or NOCs).
- In New Zealand, the private sector is involved in constructing transport projects through competitive contracting. The Government sets high-level objectives for value for money, competition, and efficiency. NZTA has created a NOC model, which means that instead of specific task-based contracts, NZTA enters broad regional contracts for various activities.
- To address lost fuel tax revenue from the increased adoption of electric vehicles, Iceland implemented a distance-based RUC system. Iceland has modelled its RUC system on New Zealand’s, explicitly setting the charge for light electric vehicles based on New Zealand’s RUC rate for light vehicles (\$76 per 1,000km). However, Iceland’s system has some aspects of innovation (not seen in New Zealand), such as monthly billing based on estimated distance travelled.
- **Annex 2** provides talking points to support your meeting. **Annex 3** compares key facts between New Zealand and Iceland.

Iceland has implemented distance-based road user charges for electric vehicles and is working to transition the rest of the fleet to road user charges

- 1 Iceland has a road reform agenda focused on revenue. The reform, titled “Our Roads to the Future”, includes:
 - 1.1 **Step 1: as of January 2024**, a distance-based charge for electric vehicles (battery electric, plug-in hybrids) and courier vehicles
 - 1.2 **Step 2: by 2025**, distance- and weight-based charges for other remaining vehicles.
- 2 The implementation of distance- and weight-based charges is to reform or replace a variety of existing charges, including an excise duty. In Iceland, excise duty on petrol equates (in NZD) to around 86 cents per litre (the New Zealand excise rate is 70 cents per litre).
- 3 Iceland has a higher proportion of electric vehicles in its fleet than New Zealand. Before the introduction of RUC, the uptake of EVs in Iceland posed a threat to fuel tax revenue (around 14% of the vehicle fleet). **Annex 3** provides some additional comparative statistics between the two countries.

Step 1 - Iceland has applied RUC to electric vehicles

- 4 Between 97–98 percent of electric vehicles entered Iceland's road user charges system on time in January 2024. The system charges:
- 4.1 **battery electric vehicles (BEVs)** 6 Icelandic Króna (ISK) per kilometre, equivalent to approximately 0.072 New Zealand Dollars (NZD) per kilometre, similar to New Zealand's light vehicle RUC rate
 - 4.2 **plug-in hybrid electric vehicles (PHEVs)** 2 ISK per kilometre, about 0.024 NZD per kilometre, lower than New Zealand's PHEV rate of 0.036 NZD per kilometre.
- 5 Key aspects of Iceland's RUC reform include:
- 5.1 **clear communication:** The Iceland government emphasised that paying for road usage should be as simple as "paying the electric bill." Road users will receive a monthly bill based on an estimated annual mileage. This estimate will be based on the national average in the first year and the individual vehicle's mileage from the previous year. A yearly reconciliation will adjust for any difference between the estimated and actual distance travelled.
 - 5.2 **streamlined online platform:** All RUC transactions, including payments and annual odometer readings, are managed through a single, established government portal. This portal is a central hub for accessing various government services, such as healthcare, tax, parental leave, and passport/immigration services. It is a familiar and convenient platform for users.

Step 2 - The rest of the fleet is planned to transition in 2025 to RUC

- 6 The rest of the fleet, including heavy vehicles, will transition into RUC next year. The system will include weight-based charges to reflect the wear and tear costs of heavy vehicles on the road. These have proven challenging because they are quite high. We have provided Icelandic officials with information and support, including our RUC cost allocation model, to help them develop an evidence-based approach for calculating RUC rates.
- 7 Like New Zealand, Iceland has the issue of non-plug-in hybrid vehicles underpaying in terms of excise duty, so transitioning the rest of the fleet to RUC could address variances in the system.

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s 6(b)

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s 6(b)

Iceland has expressed an interest in New Zealand's 'network outcome contracting' model for transport expenditure

- 10 Iceland also outsources road maintenance to the private sector through competitive contracts. Iceland does not have a centralised department responsible for road construction. Instead, like in New Zealand, the role of government is focused on planning and contract management.
- 11 New Zealand's approach to procurement enables the New Zealand Transport Agency (NZTA) to set procurement procedures to ensure best value for money. In deciding on procurement procedures, NZTA must:
 - 11.1 ensure fair competition among all parties, and
 - 11.2 foster competitive and efficient markets.
- 12 Over time, the NZTA has transitioned to an outcome-focused contracting model for the State highway network. This means that rather than contracting for specific tasks or pieces of work, it now enters broadly defined, regionally focused contracts that encompass a package of works. This approach has simplified contract management (reduced the need for ongoing contract variations). It has allowed the agency to shift its focus from the administrative aspects of contract management to monitoring performance and delivery.
- 13 As NOCs is a contracting model of NZTA, you might consider proposing to your counterpart that if they wish to understand the details or workings of the model, a meeting can be arranged at an official level.

Annex 1: Biography: Sigurour Ingi Jóhannsson, Minister of Finance and Economic Affairs



Sigurður Ingi Jóhannsson (**pronounced “Sig-ur-dur”**) has been a member of the Icelandic Parliament for the South Constituency since 2000. The Icelandic Parliament is composed of 63 members.

He is the Leader (known as the Chairperson) of the Progressive Party, which has governed since 2017 in coalition with the Independent Party. The Progressive Party is predominantly concerned with issues related to farmers. He is a trained livestock veterinarian by trade.

He has served in various ministerial roles, including Prime Minister from April 2016 to January 2017. He has held multiple other ministerial positions, including Minister of Fisheries and Agriculture and Minister for the Environment and Natural Resources.

Annex 2: Talking Points for your meeting with the Icelandic Minister of Finance

You are meeting with Sigurður Ingi Jóhannsson (**pronounced “Sig-ur-dur”**). At the time of the meeting, it will be Wednesday morning (8.30 am) in Iceland.

Introduction

- Iceland has had some challenges with volcanic activity near Reykjavik in the past two months, and MFAT advises that it would be appropriate to express sympathy for the people affected.

s 9(2)(g)(i)

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Annex 3: Comparison of New Zealand and Iceland

	New Zealand	Iceland
Population	5.1 million	376,000
GDP per capita (USD)	\$52,000	\$75,000
Highest value exports	Dairy then red meat	Aluminium then fish
Gini coefficient	0.33	0.26
Number of light vehicles	4.4 million vehicles	315,000 vehicles
Percentage of light vehicle fleet that is electric	2.7 percent	14 percent
VKT per year (per vehicle)	11,500 km	10,400 km
Vehicles per person	1.08	0.72



9 October 2024

OC241161

Hon Simeon Brown
Minister of Transport

Action required by:
Friday, 18 October 2024

ROAD USER CHARGES – MARKET ENGAGEMENT

Purpose

To seek your agreement to the Ministry of Transport engaging with the market / private sector on interest in the road user charges (RUC) system, including providing innovative and user-friendly solutions for the transition to RUC.

Key points

- Significant improvements to the existing RUC system are needed to transition the fleet. The system needs to be more user-friendly, prevent revenue loss, and maintain public acceptance.
- Work is underway on a package of improvements to the RUC system for 2027. In addition, officials are considering features that could form part of a future system but be implemented later.
- A key feature of a future system could be the involvement of the private sector, giving road users a choice of providers. Engagement is proposed with various private sector / the market to gauge their interest in the RUC system, especially in providing services to private motorists and testing the proposed key features of a future system.
- We propose engaging through an 'open' market process, advertising/notifying the engagement through the government procurement network. This includes identifying the full range of potential providers, preparing and releasing engagement documents, gathering and evaluating market responses, and incorporating the findings into policy. We will provide your Office with the market engagement documents prior to release.
- Attached is a draft memo (**Annex 1**) to notify your ministerial colleagues about the engagement with the private sector. The preparation of material will take around four weeks with market engagement planned to commence **by mid November 2024**, which will enable you to report back to Cabinet in **March 2025** as planned. We suggest circulating the memo to your colleagues before the market engagement started and issuing the press release when engagement once is ready to commence. **Annex 2** provides a draft press release for your review to announce the market engagement.

Recommendations

We recommend you:

- 1 **agree** to the Ministry engaging with the market through a request for information process to understand existing and new providers' interests in providing fully automated/electronic RUC services and what support they would need to do so Yes / No
- 2 **note** officials will provide your office with the draft market engagement material before we commence
- 3 **provide feedback** on the draft memo updating your ministerial colleagues on work to transition the fleet to road user charges, notifying them of the upcoming market engagement Yes / No
- 4 **review** the draft press release on the market engagement Yes / No



Daniel Cruden
Acting Manager, Revenue Policy

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Daniel Cruden, Acting Manager, Revenue Policy	Out of Scope	✓

ROAD USER CHARGES – MARKET ENGAGEMENT

Purpose

- 1 This briefing outlines engagement with the private sector to improve the RUC system for the fleetwide transition. It includes a draft memo (**Annex 1**) for you to notify Cabinet colleagues of the engagement and a draft press release (**Annex 2**) to announce the market engagement.

Work to improve the RUC system for the fleetwide transition

- 2 Officials have been working on a package of improvements for the fleetwide transition and the likely key features of a future RUC system. One of the key features envisages the private sector having a more significant role in the RUC system, specifically, providing RUC services to private motorists. Officials would like to engage with the market/private sector to gauge interest in supplying RUC services to private motorists.

Encouraging private sector involvement

- 3 To gauge the private sector's interest and better understand the commercial opportunities, officials propose engaging through a request for information (RFI) process with private sector representatives to provide RUC services to private motorists, particularly electronic options.
- 4 The engagement aims to understand existing and potentially new providers' interests in providing fully automated/electronic RUC services or user-friendly services that interface to the NZTA-administered odometer-based RUC system.
- 5 Officials would also like to test some proposed vital features of a future RUC system with the market, as outlined in the memo to your colleagues (**Annex 1**).
- 6 The draft press release (**Annex 2**) aims to provide initial notification of the engagement to stakeholders (and the public more generally) and help attract interest from a wide range of potential private sector participants.

Key messages about the opportunity for the market

- 7 Key high-level messages to the market will be:
 - 7.1 **government is seeking market participation:** The Government is eager to encourage market participation in providing RUC retail services, especially for light privately owned vehicles. An open request for information process will be employed to solicit feedback and gauge market interest.
 - 7.2 **opportunity for large-scale market entry:** The transition will bring an estimated 3.5 million light vehicles under the RUC regime, creating a significant market opportunity for retail service providers. This influx necessitates a reassessment of the existing regulatory framework.

- 7.3 **focus on automation:** The Government is particularly interested in solutions that automate or partially automate the RUC purchasing process, aiming to improve compliance and revenue collection. This presents a critical opportunity for providers in the market who can offer innovative technological solutions.
- 7.4 **potential for diverse business models:** A range of potential business models could exist. For example, existing electronic system providers (ESPs) could expand their services to cater to private motorists. In contrast, new entrants, including web/app providers, financial institutions, utility companies, advertising firms, and connected vehicle services, are encouraged to explore opportunities.
- 8 We have pitched the proposed press release at a higher level, given it will be released to the public more generally. You could use the (above) proposed key messages should potential market participants approach you but may form a basis for drafting the market engagement documents.

Proposed engagement process

- 9 The proposed approach is to adopt an 'open' market engagement process involving advertising/notifying the engagement through the government procurement network (known as GETS). A RFI process will be used to ensure fairness, gather consistent insights, and protect the Crown from perceptions of bias by providing the same information to all participating parties and collecting their input uniformly. Engagement will occur initially via a request for information process.
- 10 We will notify various existing RUC service providers (EROAD, Picobyte and Navman) and other companies that could be interested in providing RUC services. This could include telecommunications companies, broadband providers, banks, financial services firms, electricity retailers, and other transport service providers to gauge their interest in RUC and potentially in bundling RUC services with existing offerings.
- 11 Officials will review the responses, identify respondents for further engagement, and analyse the responses and prepare a short outcome report for the policy process. The Ministry is engaging external advisors to undertake this process from Monday 14 October 2024, and we will provide an updated timeline with specific dates as soon as possible. Although engagement material is now expected to be released in mid-November, this change of timing does not affect our overall timeframe of seeking substantive Cabinet decisions on reform in **March 2025**. Key next steps are set out in the table below.

Next steps on RUC transition		Complete by
Market scan	Officials analyse potential domestic and international providers of RUC retail services and aim to identify specific contacts within these organisations for engagement.	Late October

Preparation of documents	Market engagement documents prepared (GETS notice + Information Memorandum + RFI forms).	Early November
Release of engagement documents	Market engagement documents released on GETS and officials to alert potential providers/respondents to the GETS notice. Existing electronic service providers and other potential providers or interested parties will be notified that the notice/documents have been released.	Mid-November
Follow up on market engagement	Market responses due (completes Request for Information (RFI)), follow up discussions.	Mid-December
Consideration of responses	Officials consider RFI responses, prepare initial advice.	January 2025
Briefing paper	Seeking initial policy decisions to inform the drafting of a Cabinet paper on the RUC transition.	February 2025
Cabinet paper	Report back to Cabinet on the next steps on the RUC transition, including seeking authorisation to begin drafting legislation.	March 2025

- 12 We propose sharing the market engagement documents with your office before making them available on GETS. The results from the market engagement will inform the policy proposal and will be a key input in your March 2025 report back to Cabinet on transitioning the fleet.

ANNEX 1: DRAFT MEMO

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Memo

To: Ministerial colleagues
From: Hon Simeon Brown, Minister of Transport
Subject: **Land Transport Revenue Action Plan: Update on Fleetwide Road User Charges**
Date: October 2024
Classification: In confidence

Purpose

- 1 This memo provides information on the proposed engagement with the market on the potential design options for a new road user charges (RUC) system to enable the fleet to transition from paying fuel excise to RUC. I propose to report to Cabinet on this work in **March 2025**.
- 2 Improving the land transport system and reforming the revenue system are priorities for the Government. This paper relates to a specific commitment in the coalition agreement between the National Party and the ACT Party to replace fuel excise taxes with electronic road user charging for all vehicles, starting with electric vehicles (EVs).

Summary

- 3 The transition of light petrol vehicles to the RUC system is a significant transport reform. It will make RUC the primary revenue source for road funding and ensure all light vehicles pay the same cost per kilometre for their road use.
- 4 A successful transition is essential to avoid fiscal risks and provide public support. Most users still make manual RUC payments, and I would like to initiate a transition towards greater use of technology to improve public acceptability. Modernising the system to an electronic, user-friendly system will be crucial for smooth implementation.
- 5 I envisage the new system will have the following key features:
 - 5.1 **greater private sector involvement:** the private sector will be critical in offering innovative solutions for the new RUC system. The Ministry of Transport plans to engage potential market participants, such as existing electronic RUC providers, software developers, and financial institutions, to understand their interests and what they can offer.

Out of Scope

- 5.4 **more RUC payment options:** providing more flexible payment options will make it easier for users to comply with RUC. New payment options, such as apps and set-and-forget payment systems, will provide users greater choice.
- 5.5 **a smooth transition from FED:** The phase-out of FED will be a critical part of the transition. Two approaches are being considered: a single-day switch or a phased transition. Both carry risks, and further analyses will determine the best approach to ensure a smooth changeover with minimal revenue impacts.
- 6 Given that market participation will be a key feature of the new system, the Ministry of Transport will undertake early engagement with potential market participants. Engagement will occur initially via a request for information (RFI) process.
- 7 This engagement will test and build interest in providing RUC services and understand their requirements. The participants could be a combination of existing RUC service providers and other companies not currently providing RUC services. It is envisaged other potential providers could include telecommunications companies, broadband providers, banks, financial services firms, electricity retailers, and other transport service providers.

Proposed high-level features of an improved RUC system

- 8 Transitioning 3.5 million petrol vehicles to RUC is one of the most significant reforms undertaken in transport for some time, and the primary rationale for the transition is to improve the fairness of the current revenue system. The transition must be done well to mitigate fiscal risks to the Crown and maintain public acceptability.
- 9 RUC will become our transport system's primary revenue source, adapting over time to include dynamic charging. Additional tools (including tolling and time-of-use charging) will optimise the network. Crown funding will become the exception in this future system, and road users will have a choice of payment providers. Road users will select the provider that best meets their needs. Paying for road use will be as simple as paying any other bill. Market participation is essential, as more use of technology will help reduce the costs of running the system and ensure the system has a real user focus.
- 10 Even if we were not proceeding with the transition, reform of the RUC system would be necessary as more electric vehicles and hybrids enter the vehicle fleet. To ensure a smooth transition to a system where RUC is easy to pay, several key issues must be addressed before implementation begins in 2027. Likely key features of the system are set out below.

Maximising the collection of revenue

Out of Scope

Out of Scope

More flexible payment options and additional purchase channels

- 15 We need to provide more flexible payment options and additional ways to purchase RUC. People are more likely to comply if paying RUC is simple. In principle, people should be able to buy as much or as little RUC as they want, like when they buy petrol, to better manage costs.
- 16 We also need to consider new payment technology, including regular, automatic billing that is similar to how internet and electricity usage is paid for now. This would likely necessitate individual accounts. An account-based approach would require significant system changes (with associated costs) that NZTA does not consider is possible to implement by 2027. The private sector already offers account-based pre-pay options through the existing eRUC system, and there may be opportunities to expand this with greater private sector involvement in the RUC system.
- 17 Administrative fees will need to be reviewed to consider the more extensive RUC customer base, with an expectation for reduced fees.

Greater involvement in RUC retail by private companies

- 18 A key feature of the future RUC system will be the private sector. The current eRUC model is not cost-effective for private motorists, and the approval process for companies offering electronic systems is lengthy and costly. There is a need for a more streamlined electronic RUC model for light vehicles, allowing third-party companies to enter the market and provide an array of services. Private providers could offer road users more innovative and flexible payment options than currently provided by NZTA.
- 19 Recently, there has been an emergence of companies offering lighter electronic options, such as allowing users to pay eRUC through a third-party app, referred to as electronically assisted RUC (eaRUC). Unlike eRUC, there needs to be more clarity on the regulatory standards and approval process for these lighter-touch solutions.

Out of Scope

Out of Scope

Proposed market engagement

- 22 As mentioned above, the private sector will likely be a critical feature of a future RUC systems. I am interested in exploring and encouraging private sector involvement in retailing RUC, particularly for light privately owned vehicles. The private sector could bring:
- 22.1 **innovation and automation:** the private sector, particularly technology companies and existing ESPs, can contribute expertise in developing and implementing automated or partially automated RUC purchasing systems.
 - 22.2 **diversification of services and choice:** encouraging private sector participation could foster a more diverse RUC retail market, providing consumers with a broader array of service options beyond NZTA.
 - 22.3 **competitive administration fees:** increased competition from various providers could drive more competitive transaction fees for RUC retail services.
 - 22.4 **bundled services:** private companies might offer RUC services with other products like telematics, financing solutions, or utility bills.
 - 22.5 **tailored offerings:** different providers could cater to specific market segments, such as individuals, small fleets, with services tailored to their needs.
 - 22.6 **expertise and resources:** Private companies can have better incentives and prioritise customer service and user experience to gain a competitive edge. This could lead to improvements in how RUC services are delivered.
- 23 The Ministry is proposing engagement with the private sector through an open request for information (RFI) process to gather feedback and gauge their interest in providing RUC services through different business models. Market engagement will likely involve existing electronic RUC service providers and other companies that could be interested in providing RUC services. This could include telecommunications companies, broadband providers, banks, financial services firms, and electricity retailers. I intend that market engagement to be conducted later this year.

Report back in March 2025

- 24 Following this and further policy work, I will report back to Cabinet in late **March 2025** and seek authorisation to begin working on the necessary legislative changes. That Cabinet paper will include details on:
- 24.1 NZTA's ability to deliver the features of the RUC system as set out above, including likely costs and timeframes

24.2 the future market's ability to deliver the features set out above, based on the market engagement

24.3 legislative changes required to rebalance the *Road User Charges Act 2012* so that the RUC system accommodates new customers and the transition is seamless.

Communications

25 I have announced that the shift to RUC will begin in 2027. I am proposing to issue a press release on the market engagement. Market engagement documents will also be released to solicit feedback.

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ANNEX 2: DRAFT PRESS RELEASE

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Market engagement on a modern RUC payment system

The Minister of Transport, Simeon Brown, announced the Government is seeking private sector expertise to help in the move to the road user charge (RUC) system for all light vehicles.

"This month, the Government is beginning a market engagement exercise to better understand what technology solutions, apps or payment options could be used to create a modern fully automated RUC payment system," Mr Brown says.

"We're committed to replacing fuel excise duty with a user-friendly RUC system where users pay for the distance they drive on the roads. The shift to RUC will ensure that all road users contribute fairly to the upkeep of our roads, regardless of their vehicle type," he says.

"We want to make paying for road use as easy and simple as possible for New Zealanders. But we need to upgrade the largely manual payment system the New Zealand Transport Agency currently uses for collecting RUC from EVs, diesel cars and heavy vehicles.

"The private sector has a solid track record of providing innovative and user-friendly payment services in sectors such as banking, electricity and telecommunications. We want to leverage this expertise to develop an easy-to-use, simple solution for road users," added Mr Brown.

"The estimated 3.5 million light vehicles that will shift to paying RUC instead of fuel tax creates a significant market opportunity for retail service providers who can offer innovative solutions.

"Through the request for information on GETS, we're looking to understand the level of market interest in developing and providing innovative services to ensure we have a modern, easy-to-use payment system.

"Paying for road use could be as simple as paying any other bill, with flexible payment options and technological solutions. This is an example of this Government's appetite for greater use of private sector capability and capacity to help deliver user-focused public services.

Transitioning the light vehicle fleet to RUC was part of the National-ACT coalition agreement and is one of the actions in the Government's Revenue Action Plan to reform the transport funding system and deliver the transport infrastructure that our country needs sooner, says Mr Brown.

Notes to editor

- The Ministry of Transport will conduct the market engagement through an open request for information (RFI) on the Government Electronic Tender Service (GETS) to test and gauge market interest in providing RUC services.
- Market engagement will likely involve existing RUC service providers and other companies that could be interested in providing RUC services. This could include telecommunications companies, broadband providers, banks, financial services firms, and electricity retailers.



14 October 2024

OC241172

Hon Simeon Brown
Minister of Transport

MEETING OF THE INFRASTRUCTURE AND INVESTMENT MINISTERS GROUP

Snapshot

The Infrastructure and Investment Ministers Group provides a regular forum to discuss the Government's infrastructure work programme. You are scheduled to present on the Revenue work programme, focused on the transition to road user charges and tolling reform.

Time and date	7pm, Tuesday 15 October 2024
Venue	Executive Wing 6.3
Attendees	Hon Chris Bishop (Chair) Hon Nicola Willis Hon Shane Jones Hon Louise Upston (Guest) Simon Court MP
Officials attending	Ministry of Transport: Chris Nees (Acting Chief of Staff), Matt Skinner (Manager, Revenue) New Zealand Transport Agency Richard Forgan (Group General Manager System Leadership), Amy Moorehead (National Manager Policy)
Agenda	Separate agenda attached
Talking points	Annex One

Contacts

Name	Telephone	First contact
Matt Skinner, Manager Revenue	s 9(2)(a)	✓
Sam Harris, Senior Adviser Revenue		

MEETING OF THE INFRASTRUCTURE AND INVESTMENT MINISTERS GROUP

Key points

- The Infrastructure and Investment Ministers Group (IIMG) provides a regular forum for Ministers with a key role in the delivery of the Government's infrastructure programme to discuss issues and key projects. The meetings are chaired by Hon Chris Bishop, Minister for Infrastructure.
- You are scheduled to present on the project to transition the entire vehicle fleet into the road user charges (RUC) system, **Out of Scope**. We have prepared slides and talking points for you on these topics.
- This meeting provides you with an opportunity to discuss your vision for the transport system, including the transitional RUC system that we are planning for in 2027. Other Ministers are likely to be interested in the revenue impacts of the transition, and the costs of necessary system changes. You are scheduled to present the detailed transition plan to Cabinet in March 2025, which will include costs and revenue impacts.
- We are not seeking decisions from Ministers at this meeting. However, it does provide an opportunity to explain your vision ahead of Cabinet consideration next year. It also provides an opportunity to test the appetite for market soundings – we consider these to be important to better understand the feasibility of certain policy changes and to understand what the market can deliver.
- There will be more opportunities to test appetite for things like market soundings. We are preparing a briefing for you on the purpose and process for the market soundings, with the intention for that briefing to be shared with your senior colleagues.

The slides set out a vision for the transport revenue system

1

s 9(2)(f)(iv)

2

Slide Two sets out an objective and approach for the market soundings. It also sets out a potential list of participants.

3

Slide Three focuses on the transitional RUC system that we intend to have in place when the transition begins in 2027, including the key things that the transitional system will have to address, such as automating aspects of the system and improving the approach to compliance and enforcement.

4

s 9(2)(f)(iv)

- 5 **Slides Five and Six** set out timelines for delivering on the changes in the other slides. s 9(2)(f)(iv) . For the RUC transition, you are scheduled to take detailed decisions to Cabinet in March 2025.

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ANNEX ONE: TALKING POINTS

- s 9(2)(g)(i)
[Redacted]
[Redacted]
- [Redacted]
[Redacted] Out of Scope
[Redacted]
- [Redacted]
[Redacted]
[Redacted]

s 9(2)(f)(iv)

Slide Two: Market soundings

- Before we move to a market based system, we need to understand what opportunities potential market participants see and what changes we need to enable a robust market.
- I want to carry out market soundings – to be led by the Ministry of Transport. I intend to reach out to a range of potential participants including current eRUC providers, financial institutions and telcos/broadband providers.
- This engagement will likely seek to make it clear that we are open to providers other than NZTA being the default/main RUC retailer if they are in a position to offer these services.
- I will report to Cabinet on the outcomes of the market soundings in March 2025.

Slide Three: Transitional RUC system

- Paying RUC represents a considerable change for the majority of road users in New Zealand. We need to improve the existing system in preparation for the transition.
- The system needs to include more automation. Currently, it relies heavily on people making manual purchases. s 9(2)(f)(iv)
- The market soundings will help us to understand how far we can go towards a market approach by 2027. s 9(2)(f)(iv) operational settings to ensure that there is a level playing field between private companies and NZTA.
- High levels of compliance are key to protecting revenue. The system needs to have a wider range of tools to encourage compliance. s 9(2)(f)(iv)
- Electronic payment is already common in the heavy vehicle sector – we need to adapt the model to encourage more light vehicle owners to pay electronically. More electronic payment will make the system more efficient and more future-proofed, s 9(2)(f)(iv)
- We also need to determine the most effective way to switch off fuel excise duty – s 9(2)(f)(iv)
- I welcome your thoughts on any of these aspects of the transitional system. Design work is ongoing and I will bring a detailed system design to Cabinet in March 2025.

Out of Scope

Out of Scope



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Future State System View

s 9(2)(f)(iv)

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Market Testing



Objective

- Inform our advice on the future policy, legislative, regulatory and operational settings (both for the transition in 2027 and beyond)
- Stimulate interest from (current and future) market participants in the provision of retail RUC services to customers (for light RUC)
- Inform NZTA's retail offering if it is 'competing' with others.



Approach

- An open information gathering exercise led by the Ministry that could include –
- Request for Information through Government Electronic Tendering System (GETS) to seek feedback on a set of structured questions
 - Development of an Information Memorandum setting out potential opportunities for market participants to consider
 - Facilitating briefings sessions with providers
 - Engaging with respondents, as needed, to clarify any aspects of their response.



Potential Participants

- Existing electronic RUC service providers
- Potential electronic RUC service providers comprising organisations with existing understanding of NZ regulatory regime in relation to privacy, business operations, existing payment and client management platforms and an understanding of utility services –
 - Telco and broadband providers
 - Banks and financial service providers
 - Advertisers and marketing companies
 - Web/App-based providers
 - Utility companies
 - Transport revenue service providers and transport operators, including international parties.



Scope

- Key questions include –
- Whether there is sufficient margin to justify costs of operating an electronic RUC service for light vehicles
 - Whether the administration costs should be absorbed within the general costs of RUC
 - Potential opportunities to provide RUC services and perceived barriers
 - Measures the government should take to ensure NZTA's roles do not disincentivise others
 - Government services that should be retained and cost recovered from market participants.

Key Features of Transition System

Key Features

Objective 1: Minimising
revenue loss

Objective 2: Public acceptability

Objective 3:
Administrative efficiency

Greater automation of collection, billing and refund processing, with customers able to take advantage of a range of ways to pay.

A level playing field for private companies to enter the retail RUC market to provide collection and billing services.

Consistent and proportionate compliance and enforcement, with the regulator having a broader range of tools to encourage people to pay on time.

Expansion of existing eRUC model, with no fundamental change for heavy vehicles

Transition approach

s 9(2)(f)(iv)

s 9(2)(f)(iv)

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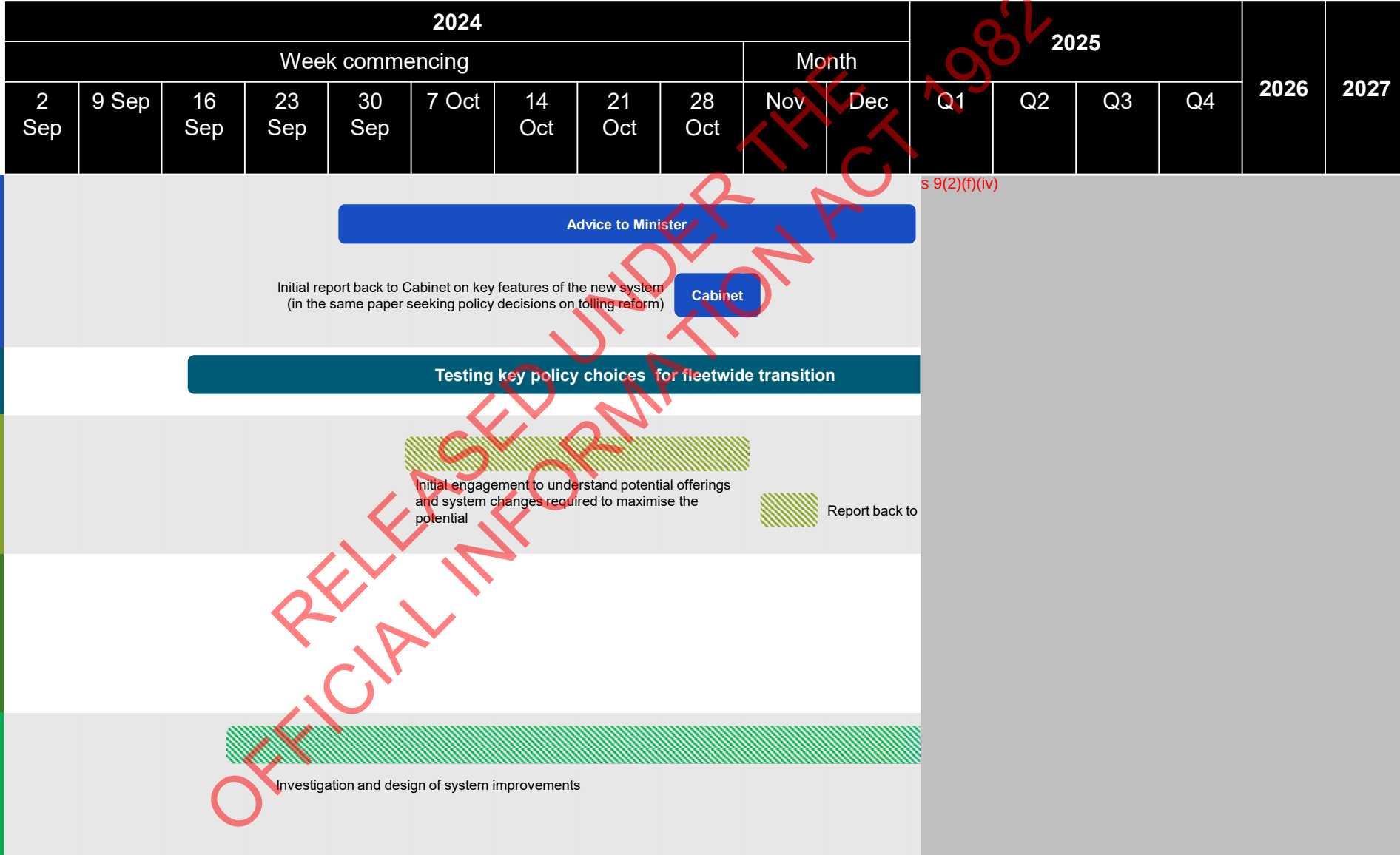
Out of Scope

Out of Scope

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RUC Timeline

Dates assume a mature market and NZTA effort will be minimal s 9(2)(f)(iv)



 Indicates tentative timeframes



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MINISTRY OF TRANSPORT
TE MANATŪ WAKA

Request for Information (RFI)

Road User Charges – Retail services

Retail Services includes any service that supports the purchase, measurement, or management of Road User Charges

by: Ministry of Transport

RFI released: 15 11 24
Deadline for Questions: 05 12 24
Deadline for Responses: 4pm 12 12 24

The information we require

This Request for Information is issued by the Ministry of Transport, referred to below as “the Buyer” or “we” or “us”.

What we need

The New Zealand Government is interested in encouraging the development of Road User Charges (RUC) retail services that promote modern, easy-to-use systems for vehicle owners to manage and pay for RUC. This is in the context of the Government’s policy to transition the light vehicle fleet currently subject to Fuel Excise Duty (approximately 3.5 million vehicles) to RUC. The transition will potentially create the world’s largest (in terms of number of vehicles required to pay) operational and mandated RUC system.¹

The New Zealand Transport Agency (NZTA) is legally responsible for the operation of the RUC system. The RUC system is governed by the Road User Charges Act 2012. There is already provision to enable businesses to offer electronic RUC services, under the eRUC Code of Practice.² Several businesses are authorised as eRUC service providers, which mostly offer services focused towards commercial vehicle owners. However, the current RUC system was originally designed with the heavy vehicle fleet in mind. There are already around 1 million light vehicles inside the RUC system – this includes vehicles powered by diesel, electricity or as plug-in hybrids. These customers are required to purchase a RUC licence in advance of travel, either via NZTA’s online portal or through existing retail agents.³

The transition of another 3.5 million vehicles into the RUC system provides a timely opportunity to review the existing arrangements and the Government is therefore seeking to understand whether there is potential for more innovative, user-friendly, cost-effective, reliable and secure options for measuring, reporting and collecting RUC, while ensuring security of government revenue.

We are seeking information from both current participants in the RUC retail services market, and prospective new entrants. We define RUC retail services broadly as any service that helps customers purchase, measure or manage their RUC ranging from over-the-counter transactions to full electronic services. We want to understand what commercial opportunities respondents are interested in, what functional elements they are interested in supplying, the role of technology, perceived barriers to providing services, views on the role of NZTA, and respondents’ views on RUC revenue security and consumer protections. This document should be reviewed alongside the Information Memorandum and the RFI response form (see GETS notice for all documents).

What we don’t want

We do not want:

1. Detailed business plans or financial forecasts. We recognise that this information is commercially sensitive. The information should be of a general nature to inform potential changes to the current arrangements⁴.

¹ Subject to other jurisdictions which may advance RUC programmes.

² <https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc-guidelines/docs/ERUC-code-of-practice.pdf>

³ This excludes a small proportion of light vehicles which have an eRUC service provider supplying systems and services to measure and collect the RUC for those vehicles.

⁴ Principally the RUC Act, related regulations and the Code of Practice.

2. General marketing material about your business. If you wish to provide background on your business, please do so briefly, with specific descriptions of what areas of your business are relevant to RUC retail services, rather than generic brochures or leaflets.
3. Feedback on BAU matters concerning the heavy vehicle RUC regime. Any such feedback can be provided directly to NZTA via RUCAssessments@nzta.govt.nz.

Why should you respond?

The significant increase in the number of vehicles mandated to pay RUC may facilitate greater participation in the RUC retail services market. It presents the opportunity for innovative service offerings, in areas such as payment systems, customer services management, account management, measurement and reporting of distance travelled.

Your perspectives may help shape Government decisions on policy, regulatory and legislative arrangements to enable the transition. We expect government decisions to be made in March 2025, and the transition to RUC for light vehicles to start as early as 2027.

You may already be a RUC service provider and be interested in responding to this expansion in the market, or you may be a potential new entrant. Either way – we are interested in your views.

A bit about us

The Ministry of Transport is the steward of the transport system and is responsible to the Minister of Transport for the provision of advice on transport sector policy matters. We are releasing this RFI to support the design of policy, legislative and regulatory changes to the RUC system to support the transition of light-vehicles from Fuel Excise Duty to RUC.

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SECTION 1: Key Information

1.1 Context

- a. This RFI is intended to inform the Ministry of Transport on potential policy, legislative and regulatory changes to the Road User Charges regime as it relates to retail RUC services to support the fleetwide transition to RUC. A summary of responses will be provided to the New Zealand Transport Agency (NZTA).
- b. Responses to this RFI are invited from current participants in the RUC retail services market, and prospective new entrants.
- c. Following this RFI the Ministry of Transport will decide on what procurement process it will follow, if any.

1.2 Our timeline

Here is our timeline for this RFI (New Zealand times and dates):

Deadline for Questions from Respondents: 5pm 05 12 24

Deadline for the Ministry to answer questions: 5pm 06 12 24

Deadline for Responses 4pm 12 12 24

Note: We encourage early submission of your response where possible and reserve the right to engage with interested Respondents before the above deadline.

1.3 How to contact us

- a. Contact us through our Point of Contact via email or the Government Electronic Tenders Service (GETS) (www.gets.govt.nz).
- b. Our Point of Contact:
Name: Karen McGuire
Title/Role: Team Leader Procurement
Email address: procurement@transport.govt.nz

1.4 Developing and submitting your information

- a. This is not a tender process.
- b. Take time to read and understand the RFI. In particular, understand our Requirements. These are in Section 2 of this document.
- c. If you have questions, ask our Point of Contact before the Deadline for Questions (see 1.2 above).
- d. Submit your Response before the Deadline for Responses using the Response Form provided. This is a MS Word document you download from GETS.
- e. Complete and sign the declaration at the end of the Response Form.

- f. When emailing your response, all documents and attachments cannot exceed 20MB.
- g. As this is not a tender, late responses may be accepted by sending to the email address above and may be considered, provided they are submitted within a reasonable time.

1.5 Address for submitting your Response

Submit your Response to the following address: procurement@transport.govt.nz

We will not accept responses sent by post or delivered to our office.

1.6 Our RFI Terms

The RFI is subject to the RFI Terms in Section 3 below.

1.7 Later changes to the RFI or RFI process

- a. After publishing the RFI, if we need to change anything or provide additional information we will let all Respondents know by placing a notice on the Government Electronic Tenders Service (GETS at www.gets.govt.nz).
- b. If you subscribed to this listing on GETS you will automatically receive notifications of any changes through GETS. We recommend subscribing to the listing to ensure you receive notification of any changes and questions received.

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SECTION 2: Our Requirements

2.1 Background

The Government plans to transition the light petrol vehicle fleet (approximately 3.5 million vehicles) to pay for road use through Road User Charges (RUC) rather than Fuel Excise Duty. They will join approximately 1.2 million vehicles already subject to RUC (made up of 900,000 light diesel vehicles, 180,000 heavy vehicles, and 100,000 electric/ hybrid vehicles). Once the transition of the light petrol fleet occurs, there will be approximately 4.7 million vehicles in New Zealand subject to the RUC regime.

To support vehicle owners to make the transition, the Government is interested in whether there is:

1. market interest in delivering RUC retail services; and
2. a need to change the rules and arrangements for RUC retail service providers to enable innovation.

The outcome of this Request for Information (RFI) will inform the arrangements (policy, legislative and regulatory regime) for RUC retail providers and inform enforcement and compliance activities. In addition, the summary of RFI responses may influence NZTA's planning regarding future procurement of over-the-counter RUC retail Agents (current contracts expire in Mid 2027).

Conceptual service offerings

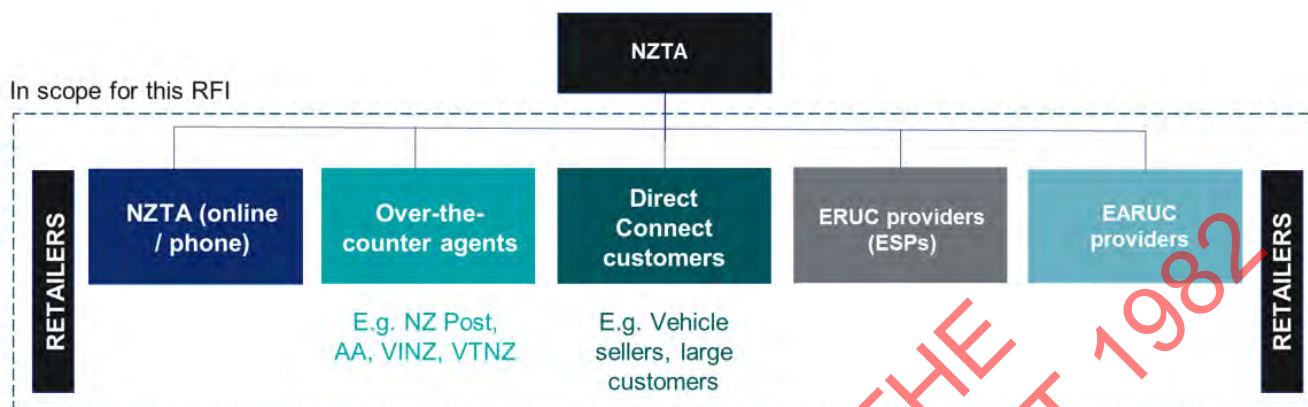
We define RUC retail services broadly as any service that helps customers purchase, measure or manage their RUC. This could include, for example:

1. Manual RUC management service (but not direct purchase of RUC). This could include a reminder service to purchase RUC and outline where RUC can be purchased (online and in physical locations);
2. Manual RUC management service including direct purchase of RUC – as an Agent of NZTA. So that customers are reminded of the need to check and purchase RUC and when new licences are required, they can be purchased (online and in physical locations);
3. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and providing reminders to purchase RUC licences (but not direct purchase of RUC);
4. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and either providing reminders to purchase RUC licences or automatically purchasing RUC directly (as an Agent of NZTA);
5. Full eRUC or eaRUC⁵ as a certified provider; or
6. Another business model (or hybrid of the approaches outlined above).

⁵ Electronic RUC (eRUC) uses an electronic distance recorder installed in the vehicle to measure the distance travelled. eRUC is provided by private Electronic System Providers (ESPs), who handle the RUC calculations and are liable for the debt to NZTA. Separately, Electronically Assisted RUC (eaRUC) allows vehicle owners to purchase RUC licences via an app or portal and can display RUC distance licences on a device mounted on the windscreen. eaRUC products do not have GPS.

What are the current arrangements?

NZTA is the Government's RUC collector and has several outlets through which a RUC user can purchase their RUC licence. The diagram below summarises the existing RUC retail market.



NZTA outlets include the NZTA web portal, the NZTA mobile phone app, front counter services through over-the counter agents⁶, and via a Direct Connect setup used by some larger fleet management operations that enables them to manage RUC purchasing and label printing inhouse.

At present, all RUC retailers/ NZTA Agents are approved/contracted by NZTA. ESPs are approved in line with the eRUC code of practice.⁷ This model includes a requirement to develop and gain approval for technology to be fitted to vehicles to ensure accurate measurement of distance travelled.

Most RUC retailers (including NZTA) do not solely offer RUC retail services. The sale of RUC licences occurs alongside other offerings – such as the provision of other motor vehicle registration services by NZTA Agents, or fleet management services by ESPs.

NZTA collects information on RUC licences sold and aggregates all RUC revenue to be paid into the National Land Transport Fund.

Existing fees

Every RUC transaction incurs a statutory fee, known as the RUC administration fee. The fee is directly charged to the purchaser of RUC. It varies from \$6.30 to \$14.87 (including GST) per transaction regardless of the volume of RUC purchased.

The RUC administration fee covers the cost associated with the provision of the RUC transaction and the RUC label. The variation in fees is due to differences in costs associated with the mode of purchase (i.e. online, phone, over-the-counter). The RUC administration fee is lowest for Direct Connect and eRUC. However, ESPs typically charge their users additional fees such as a monthly “subscription charge” or an additional transaction fee for facilitating a RUC transaction.

⁶ NZTA contracts with a range of over-the-counter providers who are paid a commission for RUC sales (e.g. VINZ, AA, VTNZ, NZ Post and select public contract providers where there is no coverage by these organisations). These contracts expire in June 2027.

⁷ <https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc-guidelines/docs/ERUC-code-of-practice.pdf>

A challenge in reducing the RUC administration fee, is the cost of supplying RUC labels – the Government is actively considering the labelling requirements and potential changes. Besides a cost reduction, changing labelling requirements could also enable digital fulfilment of the complete RUC purchase process, making it easier for retailers to sell RUC.

What is the opportunity?

The additional volume of RUC customers created by the transition and the potential to offer more innovative, user-friendly options for those customers may be of interest to existing RUC retailers (domestic and international), but also:

1. Utility providers and other retailers – through bundling of RUC with other utility payments such as electricity, gas supply, mobile, broadband, insurance, fuel etc.
2. Finance providers – through the provision of subscription/smoothing services to reduce the impact of lumpy payments. This may include offering post-usage options to invoice based on actual usage (instead of prepaid distance), or charging regular flat fees based on estimated usage, with a true up on a regular basis to check actual distance travelled.
3. Technology providers – through the continued evolution of the electronic service provider market (e.g. eRUC and eaRUC) including telematic and other fleet management services.
4. Advertisers – who may advertise at point of sale to users.
5. Data aggregators – who with the express permission of their own RUC customers may on-sell data for a range of different commercial purposes.
6. Retailers – who could provide convenient over-the-counter purchase of RUC.

The above are provided as illustrative – not exhaustive examples. We are interested in whether there are other opportunities that we have not considered.

2.2 Key outcomes

The Government is keen to review RUC retail arrangements to ensure they suit the changed conditions (including volume increase) and provide an easy transition for new users.

The outcomes and questions we would like to answer are set out in the RFI response form and are summarised below:

#1	To what extent is the provision of RUC retail services something you currently do? Question 1: 'About you'.
#2	What is the nature of the RUC retail service you are interested in Question 2: 'Level of interest in RUC services'.
#3	Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities? Question 3: 'Commercial proposition'.
#4	What role might technology offered by your business play in the future RUC retail market? Question 4: 'Technology'.
#5	What might help or hinder providers or potential providers from participating in the RUC retail market? Question 5: 'Barriers'.
#6	How can NZTA's activities enable and encourage RUC retailers to participate? Question 6: 'NZTA'.
#7	How can RUC retail market participants assist in balancing a user-friendly system with ensuring revenue security? Question 7: 'Revenue security'.
#8	Do you have any initial views on how you might ensure appropriate protection of consumers (e.g. Complaints, remedy mechanisms)? Question 8: 'Consumer protection and support'.

2.3 Information to include in response

Answers should be recorded in the RFI Response Form. There is also space in the form to tell us anything else you think is relevant to participation in the RUC retail market.

SECTION 3: RFI Terms

Defined terms are shown using capitals. You can find definitions at the end of this Section.

Preparing and submitting a Response

3.1 Preparing a Response

a. Respondent obligations

The Respondent must:

- i. read the complete RFI and any additional information provided and referred to by the Buyer
- ii. respond using the RFI Response Form and Pricing Schedule provided and include all information the Buyer requests
- iii. consider the risks and contingencies relating to the delivery of the RFI requirements and outline how it will manage those risks and contingencies
- iv. include any assumptions, dependencies and/or qualifications in the Response, including anything that may limit its obligations or increase its quoted pricing or cost estimates
- v. quote prices in NZ\$, exclusive of GST
- vi. obtain independent advice before submitting a Response (if necessary)
- vii. make sure the Response is correct and the Response pricing is sustainable, i.e. covers the Whole-of-Life of the Contract, not just the initial term.

b. Process acceptance

By submitting a Response, the Respondent accepts the RFI-Terms.

c. No obligation, no penalty

Suppliers are not expected or required to submit a Response in order to remain on any prequalified or registered supplier list.

3.2 Respondent questions

- a. The Respondent must make sure they understand the RFI.
- b. If the Respondent has any questions or needs clarification, they:
 - i. must submit questions before the Deadline for Questions (Section 1 of the RFI)
 - ii. must clearly indicate any commercially sensitive information in their questions
 - iii. may withdraw their questions at any time.
- c. When the Buyer receives questions before the Deadline for Questions:
 - i. The Buyer will respond on or before the Deadline for Answers.
 - ii. The Buyer may provide details of both the questions and the answers to other Respondents. In these circumstances the Buyer will summarise the questions and will not disclose the Respondent's identity.
 - iii. Unless stated otherwise in the RFI, the Buyer will post both the questions and answers on GETS.

- iv. The Buyer will not publish the Respondent's commercially sensitive information. However, if the Buyer considers the information to be significant for all Respondents, the Buyer may modify the question and publish both this and the answer. In that case the Buyer will first give the Respondent the opportunity to withdraw the question or remove any of their own commercially sensitive information.

3.3 Submitting a Response

- a. The Respondent must ensure the Buyer receives the Response at the correct address on or before the Deadline for Responses.
- b. After the Deadline for Responses, the Buyer will acknowledge receipt of the Response.
- c. The Respondent must ensure that all information they provide to the Buyer:
 - i. is true, accurate and complete
 - ii. is not misleading in any material respect
 - iii. does not contain material that infringes a third party's intellectual property rights
 - iv. is identical, if they supply both hard and soft copies.
- d. The Buyer may rely on the Response and all information provided by the Respondent during the RFI process (e.g. correspondence and negotiations).

3.4 Clarification of Response

- a. The Buyer may ask the Respondent for more information or clarification on the Response at any time during the RFI process.
- b. The Buyer need not ask all Respondents for the same clarification.
- c. The Respondent agrees to provide the information or clarification as soon as possible, in the format requested by the Buyer.

Standard RFI conditions

3.5 Buyer's Point of Contact

- a. The Respondent must direct all RFI enquiries to the Buyer's Point of Contact in Section 1 of the RFI.
- b. Only the Point of Contact, or a person authorised by the Buyer, may communicate with the Respondent on any aspect of the RFI. The Buyer will not be bound by any statement made by any other person.
- c. The Buyer may change its Point of Contact at any time. The Buyer will notify the Respondent of any change by email or posting a notification on GETS.
- d. If a Respondent has an existing contract with the Buyer, business as usual communications, for the purposes of managing delivery of that contract, will continue using the usual contacts.
- e. If the Respondent has an existing contract with the Buyer, the Respondent must not use its business-as-usual communications to contact the Buyer regarding the RFI.

3.6 Conflict of Interest

- a. The Respondent must complete the Conflict of Interest declaration in the RFI Response Form. If a joint Response is being submitted, each party must complete the Conflict of Interest declaration separately.

- b. If a Conflict of Interest arises during the RFI process, the Respondent must inform the Buyer immediately.
- c. The Buyer may exclude a Respondent from the RFI process if a material Conflict of Interest arises.

3.7 Confidential Information

- a. Without limiting any other confidentiality agreement between them, the Buyer and the Respondent will both take reasonable steps to protect the other party's Confidential Information.
- b. Except as permitted by the other provisions of this Section 3, neither party will disclose the other party's Confidential Information to a third party without that other party's prior written consent.
- c. Each party may each disclose the other party's Confidential Information to anyone who is directly involved in the RFI process on that party's behalf, but only for the purpose of participating in the RFI. This could include (but is not limited to) officers, employees, consultants, contractors, professional advisors, evaluation panel members, partners, principals or directors. Where this occurs, the disclosing party must take reasonable steps to ensure the third party does not disclose the information to anyone else, and does not use the information for any purpose other than participating in the RFI process.
- d. The Respondent acknowledges that the Buyer's confidentiality obligations are subject to requirements imposed by the Official Information Act 1982 (OIA), the Privacy Act 2020, parliamentary and constitutional convention, and any other obligations imposed by law. Where the Buyer receives an OIA request that relates to a Respondent's Confidential Information, the Buyer may ask the Respondent to explain why the information is considered by the Respondent to be confidential or commercially sensitive.
- e. The Respondent may disclose the Buyer's Confidential Information to the extent strictly necessary to comply with law or the rules of any stock exchange on which the securities of the Respondent or any related entity are currently listed. Unless prohibited by law, the Respondent must consult with the Buyer before making such a disclosure.
- f. The Buyer will not be in breach of its obligations if it discloses Confidential Information to the appropriate authority because of suspected collusive or anti-competitive tendering behaviour.

3.8 Costs of participating in the RFI process

Except as otherwise stated in the RFI, the Respondent must meet their own costs associated with the preparation and presentation of the Response.

3.9 Ownership of documents

- a. The RFI and its contents remain the property of the Buyer. All Intellectual Property rights in the RFI remain the property of the Buyer or its licensors.
- b. The Buyer may request the immediate return or destruction of any RFI documents and any copies, in which case the Respondent must comply in a timely manner.
- c. All documents forming part of the Response will, once they are delivered to the Buyer, become the property of the Buyer. The Response will not be returned to the Respondent.
- d. Intellectual Property rights in the Response remain the property of the Respondent or its licensors.
- e. The Respondent grants to the Buyer a licence to retain, use, copy and disclose information contained in the Response for any purpose related to the RFI process, including keeping appropriate records.

3.10 Limited rights and obligations

- a. Except as stated otherwise in this paragraph, nothing in the RFI, these RFI Terms or the RFI process creates a contract or any other legal relationship between the Buyer and Respondent.
- b. The following are binding on the Respondent:
 - i. The Respondent's signed declaration (contained in the RFI Response Form).
 - ii. The Respondent's obligations under paragraphs 3.1, 3.3 and 3.6. Nothing in this Section 3 takes away from any rights or remedies the Buyer may have in relation to the Respondent's statements, representations or warranties in the Response or in correspondence with the Buyer.
 - iii. The standard RFI conditions in Section 3.
- c. Paragraphs 3.4 and 3.9 are binding on the Buyer.
- d. All terms and other obligations that are binding on the Buyer are subject to the Buyer's additional rights in paragraph 3.11.

3.11 Buyer's additional rights

a. Changes to the RFI

- i. The Buyer may amend, suspend, cancel or re-issue the RFI, or any part of it, so long as it notifies the Respondent.
- ii. The Buyer may change material aspects of the RFI, such as the timeline or Requirements, provided it gives the Respondent time to respond to update its Response in relation to the changes.

b. Timeline

- i. The Buyer may accept a late Response if it is the Buyer's fault it is late, or if the Buyer considers there is no material prejudice to other Respondents in accepting a late Response.
- ii. The Buyer may answer a question submitted after the Deadline for Questions, and notify all Respondents about the submission of the question and the answer.

c. RFI Process

- i. The Buyer may liaise with any Respondent without informing, or doing the same, with any other Respondent.
- ii. The Buyer may provide Respondents with information arising from questions about the RFI.
- iii. The Buyer may withhold information arising from questions about the RFI. This may be the case if the information is unnecessary, is commercially sensitive, is inappropriate to supply at the time of the request or cannot be released for legal reasons.
- iv. The Buyer may waive requirements or irregularities around the RFI process if the Buyer considers it appropriate or reasonable to do so.

3.12 New Zealand law

The laws of New Zealand govern the RFI. Each Respondent agrees New Zealand courts have non-exclusive jurisdiction to rule in any dispute concerning the RFI or the RFI process. The Respondent agrees that it cannot bring any claim in relation to the RFI except in a New Zealand court.

3.13 Disclaimer

- a. Nothing contained or implied in the RFI, or RFI process, or any other communication by the Buyer to the Respondent is to be construed as legal, financial or other advice.
- b. The Buyer will endeavour to provide accurate information in any communication, but the Respondent accepts this information is not independently verified and may not be up-to-date.
- c. The Buyer will not be liable in contract, tort, equity, or in any other way for any direct or indirect damage, loss or cost incurred by the Respondent or any other person in respect of the RFI process, whether as a result of the Buyer exercising its rights under paragraph 6.22, the Buyer's negligence or breach of these RFI Terms, the Buyer failing to select the Respondent as the Successful Respondent, or any other cause.
- d. To the extent that liability cannot be excluded, the maximum aggregate liability of the Buyer, its agents and advisors in connection with the RFI process, to all Respondents combined, is NZ\$5,000.
- e. The limitations and exclusions in paragraphs c and d above do not apply to any liability the Buyer may have for breach of confidentiality or infringement of the Respondent's intellectual property rights.

3.14 Precedence

- a. Any conflict or inconsistency in the RFI shall be resolved by giving precedence in the following descending order:
 - i. these RFI-Terms
 - ii. all other Sections of the RFI document
 - iii. any additional information or document provided by the Buyer to Respondents through the Buyer's Point of Contact or GETS.
- b. If there is any conflict or inconsistency between information or documents having the same level of precedence the more recent information or document will prevail.

Definitions

In relation to the RFI the following words and expressions have the meanings described below.

Buyer	The government agency that has issued the RFI with the intent of obtaining information.
Confidential Information	Confidential Information of a party (Provider) means information acquired by the other party (Recipient) from the Provider in connection with the RFI process, where that information: a. is by its nature confidential b. is marked at the time of disclosure to the Recipient as 'confidential', 'in confidence', 'restricted', 'sensitive', 'secret' or 'top secret', and/or c. the Recipient knows, or ought to know, is confidential to the Provider or a third party who supplied it to the Provider. However, this does not include information that is publicly available through no fault of the Recipient, or that the Recipient acquired entirely independently of the Provider.
Conflict of Interest	A Conflict of Interest arises if personal or business interests, relationships or obligations of the Respondent or any of its personnel do, could, or could be perceived to: a. conflict with the Respondent's obligations to the Buyer under the RFI or in the provision of the goods or services, and/or

Buyer	The government agency that has issued the RFI with the intent of obtaining information.
	b. call into question the independence, objectivity or impartiality of any person involved in the RFI process on behalf of the Buyer. A Conflict of Interest may be: c. actual: where the conflict currently exists d. potential: where the conflict is about to happen or could happen, or e. perceived: where other people may reasonably think that a person is compromised.
Deadline for Answers	The deadline for the Buyer to respond to questions submitted by a Respondent stated in Section 1.2 of the RFI.
Deadline for Responses	The deadline for delivering or submitting Responses to the Buyer as stated in Section 1 of the RFI.
Deadline for Questions	The deadline for submitting questions to the Buyer as stated in Section 1 of the RFI.
GETS	Government Electronic Tenders Service available at www.gets.govt.nz .
Intellectual Property	All industrial and intellectual property rights whether conferred by statute, at common law or in equity, including (but not limited to) copyright, trademarks, designs and patents.
Point of Contact	The Buyer and each Respondent are required to appoint a Point of Contact. This is the channel to be used for all communications during the RFI process. The Buyer's Point of Contact is identified in Section 1 of the RFI. The Respondent's Point of Contact is identified in its Response.
Respondent	A person, company or organisation that submits a Response in response to the RFI. The term Respondent includes each member of any consortium.
Response	The response a Respondent submits in reply to the RFI. It comprises the Response Form and all other information submitted by a Respondent.
Response Form	The form and declaration prescribed by the Buyer and used by a Respondent to respond to the RFI, duly completed and submitted by a Respondent as part of the Response.
RFI	Means the Request for Information.
RFI-Terms	Means the RFI Terms as set out in Section 3 of the RFI.

For more definitions, click [HERE](#).

Instructions for Respondents

1. Check that you have all the relevant documents, including:
 - The Request for Information (RFI) which outlines what information is needed.
 - The Response Form (this one) to fill out your response.
 - The RFI-Terms.
2. Before filling out this form, read the RFI carefully, particularly Section 2 (Our Requirements).
3. Please follow the layout of this Response Form:
 - Don't change the section headings and sequence as this needs to be consistent across all Respondents.
 - Insert any extra images or graphs either as part of your answer or in a separate attachment (but make it clear in the Response Form that you have done so).
 - The combined file size including all attachments that can be sent to procurement@transport.govt.nz is 20MB.
4. Everything highlighted in **PURPLE** in this document is information for the Respondent (you). Delete these **PURPLE** parts before sending the Response Form. Everything shaded in **BLUE** is customisable by you. When you have completed these areas please un-shade them.

☐ The purple boxes are Respondent Tips. Delete these after reading.

☐ Write your response in the blue sections. Un-shade the blue once you have filled these out.
5. Remember to make a note of the Deadline for Questions. Feel free to ask us anything if it is unclear.

Checklist for Respondents

Before you submit your Response...

1. Fill out all sections of the Response Form.	☐
2. Remove all the purple 'Respondent Tip' boxes from this Form.	☐
3. Delete the PURPLE instructions from this Form.	☐
4. Un-shade the BLUE highlighting where you fill out your answer.	☐
5. Prepare your Response Send a digital copy by email to procurement@transport.govt.nz	☐
6. Arrange for the Response to be submitted electronically before the Deadline for Responses.	☐

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[Insert your (Respondent's) name and logo]

Request for Information (RFI) Response Form

Road User Charges – Retail Services

In response to the Request for Information

by: Ministry of Transport

Date of this Response: [insert date of this document]

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SECTION 1: About the Respondent



RESPONDENT TIP

- This section gives the Buyer basic information about your organisation and identifies your Point of Contact for the RFI process.
- If an item is not applicable, e.g. you do not have a registered office, complete the box by stating 'not applicable'.

1.1 Our profile

Choose one of these statements to complete, and delete the others

This is a Response by [insert the name of your organisation] (the Respondent) to provide information.

OR [This is a [joint/consortium] Response, by [insert the name of your organisation] and [insert the name of the other organisation/s] (together the Respondents) to supply information.

Item	Detail
Full legal name:	[insert the name that you do business under]
Trading name (if different):	[if applicable]
Physical address:	[put the address of your head office]
Postal address:	[e.g. P.O Box address]
Registered office:	[if you have a registered office insert the address here]
Business website:	[url address]
Type of entity (legal status):	[sole trader / partnership / limited liability company / registered charity / other please specify]
NZBN number:	[if your organisation has a NZBN registration number insert it here]
Country of residence:	[insert country where you (if you are a sole trader) or your organisation is resident for tax purposes]
GST registration number:	[NZ GST number or if overseas please state]
Consent to follow up (Likely to be in week commencing 16 December)	[Please indicate Yes or No if you consent to officials following up on any material contained in this response] We expect any follow up would happen in the week beginning 16 December. Confirm your availability in week beginning 16 December Y/N If not available please confirm your availability after 6 January.

1.2 Our Point of Contact

Item	Detail
Contact person:	[name of the person representing the Respondent and responsible for communicating with the Buyer]
Position:	[job title or position]
Physical location of contact person	[city / country]
Phone number:	[landline]
Mobile number:	[mobile]
Email address:	[work email]

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SECTION 2: Our Requirements



RESPONDENT TIP

- Carefully read RFI Section 2 (Our Requirements). Then provide your response by demonstrating your organisation's ability to meet the criteria.
- Please mark any information that is 'commercially sensitive' or 'Confidential Information' to your business so that the Buyer knows. You cannot make the whole document confidential unless this is truly the case. Refer to the RFI-Terms for more information.
- Keep it simple. If an answer is in another document e.g. a marketing brochure, just cut and paste the relevant part into this form. Do not show the whole document unless necessary - the Buyer may not read it all.
- You may include extra information in your Response but only if it adds value and is relevant.

2.1 Responses

This document should be reviewed alongside the Information Memorandum and the RFI document (see GETS notice for all documents). Please increase the size of the answer box to fit your answers.

About you

To what extent is the provision of RUC retail services (ie. Providing services that support the purchase and management of RUC) something you currently do in New Zealand or another jurisdiction?

What is the scope of your current offering (i.e. types of vehicles, vehicle owners, and services)?

If you currently do not provide RUC retail services but are interested in the opportunity, include any current service offering in a similar sector, your level of experience in delivering that service, and why you are interested in the opportunity to deliver RUC retail services.

[insert answer here]

Level of interest in RUC services

What is the nature of the RUC retail service you are interested in offering:

1. Manual RUC management service (but not direct purchase of RUC). This could include a reminder service to purchase RUC and outline or link directly to where RUC can be purchased (online and in physical locations);
2. Manual RUC management service including direct purchase of RUC –as an Agent of NZTA. So that customers are reminded of the need to check and purchase RUC and when new licences are required, they can be purchased (either instore or online);
3. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and providing reminders to purchase RUC licences (but not direct purchase of RUC);

4. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and automatically purchasing RUC directly (as an agent of NZTA);
5. Full eRUC or eaRUC solution as a certified service provider approved by NZTA under the code or a revised version of the code (<https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc-guidelines/docs/ERUC-code-of-practice.pdf>); or
6. Another business model (or hybrid of the approaches outlined above)?

[insert answer here]

Commercial proposition

Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities?

As the underlying cost of RUC is fixed, retail service providers will need to make a commercial return on activities other than the sale of underlying RUC. This would mean selling RUC as part of a broader offering, such as:

- fleet management/telematic services
- bundling of utility like payments
- financial services to bundle and smooth payments
- sale of information to advertisers (with the express permission of customers) etc.
- efficiency of service offering enabling margin to be made on the administrative fees charged for RUC purchases

This list is non-exhaustive, and any other commercial propositions you may suggest will be welcome, along with any description of what, if any, changes to existing legislative or administrative provisions would be needed to facilitate this.

Are there minimum scale factors that impact commercial viability? Is there a lead time that needs to be considered? What other factors should we consider regarding commercial viability?

[insert answer here]

Technology

What role might technology offered by your business play in the future RUC retail market? Does your (current or planned) provision of RUC retail services use technology that you supply to measure and report distance, or support the reporting of distance from existing equipment (e.g. odometers or OEM telematics systems)? If so, can you summarise:

- how the technology works

- what data is collected
- What services you provide with the technology in connection with revenue collection (e.g. distance measurement, tolling, congestion charging, refunds)
- how you ensure the reliability and security of the system
- how revenue security is protected
- how user privacy is protected
- what benefits it offers customers compared to the existing system
- whether the technology is stand-alone or integrated into existing devices (cars or phones)
- whether it requires professional installation (if it is not integrated) and whether it requires any modifications to be fitted for the purpose of providing RUC retail services for light vehicles

Please describe any examples of where and when this technology has been applied in practice for RUC or similar purposes, to generate actual revenue.

[insert answer here]

Barriers

To inform the policy, legislative and regulatory settings, we are interested in your view about the barriers to you achieving your commercial aspirations as a RUC retail services provider. What legal, administrative or policy setting would need to change or be made easier to enable you to invest in offering RUC retail services?

[insert answer here]

NZTA

NZTA plays an important role in RUC services as the Government's RUC collector.

Under current arrangements NZTA is responsible for:

1. Approving (or declining) any RUC retailer application and appointing and contract managing Agents (some of whom operate under a contract and are paid a commission for RUC sales);
2. Providing RUC retail services to customers directly (through its website and App);
3. Collecting and administering the RUC revenue; and
4. Receiving the statutory fee for RUC transactions.

The Government is keen to ensure NZTA's activities don't crowd out the role of third parties in the provision of RUC services. Are there measures that the Government should take to ensure NZTA's activities enable and encourage other RUC retailers to participate?

[insert answer here]

Revenue security

How can the RUC retail market assist with balancing a user-friendly system with ensuring revenue security?

[insert answer here]

Consumer protection and support

Do you have any initial views on how you might ensure appropriate protection of consumers (e.g. complaints, remedy mechanisms)? Would you offer different payment options to enable consumer flexibility and choice in RUC purchases?

[insert answer here]

[Optional] Additional information

If there is other material you would like to make us aware of in considering the policy, regulatory and legislative settings to enable greater third-party provision of RUC services, please feel free to include it below. Avoid attaching company brochures and other advertising material. We can only receive 20MB via email.

[insert answer here]

2.2 Assumptions

Assumptions

Please state any assumptions you have made in relation to the Response.

[insert answer here]



RESPONDENT TIP

- An assumption is something that is accepted as true or as certain to happen without proof e.g. that the Buyer (or a third party) will provide certain information or assistance so that the Respondent can deliver on the Requirements.

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SECTION 3: Respondent's declaration



RESPONDENT TIP

- Here you are asked to make a formal declaration. Select 'agree' or 'disagree' at the end of each row. If you don't, you will be deemed to have agreed.
- Have the declaration signed by someone who is authorised to sign and able to verify the declaration, e.g. chief executive or a senior manager.
- If you are submitting a joint or consortium Response each party involved in the joint or consortium Response must complete a separate declaration.

Topic	Declaration	Respondent's declaration
RFI-Terms:	I/we have read and fully understand this RFI, including the RFI-Terms. I/we confirm that the Respondent agrees to be bound by them.	[agree / disagree]
Conflict of Interest declaration:	The Respondent warrants that it has no actual, potential or perceived Conflict of Interest in submitting this Response. Where a Conflict of Interest arises during the RFI process the Respondent will report it immediately to the Buyer's Point of Contact.	[agree / disagree]
Details of conflict of interest:	[if you think you may have a conflict of interest briefly describe the conflict and how you propose to manage it or write 'not applicable']	

DECLARATION BY THE RESPONDENT

I/we declare that in submitting the Response and this declaration:

- the information provided is true, accurate and complete and not misleading in any material respect
- the Response does not contain any material that will infringe a third party's intellectual property rights
- I/we have secured all appropriate authorisations to submit this Response, and to make the statements and to provide the information in the Response.

I/we understand that the falsification of information, supplying misleading information or the suppression of material information in this declaration and the Response may result in the Respondent being eliminated from further participation in any procurement process flowing out of the RFI, and may be grounds for termination of any Contract awarded as a result of such a procurement process.

By signing this declaration the signatory below represents, warrants and agrees that they have been authorised by the Respondent to make this declaration on its/their behalf.

Signature: _____

Full name: _____

Title/position: _____

Name of organisation: _____

Date: _____

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Information Memorandum

Road User Charges – Retail Services

November 2024

Key dates	
15 Nov	RFI released
12 Dec	RFI responses due
Jan/Feb '25	MoT analysis and reporting
Mar '25	Government decisions on RUC transition

Transition to Road User Charging

The New Zealand Government has agreed to **transition ~3.5 million light vehicles from Petrol Excise Duty to Road User Charges (RUC)** from 2027.

The transition provides a commercial **opportunity to offer services supporting the purchase, measurement and management of RUC**. Commercial opportunities could include:

Payment bundling	Over-the-counter services
Payment smoothing	Technology provision
Data aggregation	Advertising

This Information Memorandum (IM) explains what RUC is, the potential commercial opportunities in the retail market, who we want to hear from, what we want to know and what happens next. It accompanies a Request for Information (RFI) containing further detail and an RFI Response Form.

~ 4.7 million +

Total vehicles to be subject to RUC from 2027, potentially making New Zealand the World's largest operational and mandated RUC system

RUC in New Zealand

- background

RUC is a mechanism for paying for road use by distance, weight and axle configuration

- New Zealand has had a **RUC system since 1978**.
- At present **all heavy vehicles** regardless of energy source and all **diesel, electric and plug-in hybrid light vehicles** must pay for road use based on distance and vehicle class.
- Most vehicle owners pay for RUC manually, buying **prepaid distance licences** online or over the counter.
- Many heavy vehicle (and a few commercial light vehicle) owners use a **certified eRUC service provider** that supplies vehicle trip recording systems and invoices customers.

180,0000

Heavy vehicles currently subject to RUC

1 million

Light vehicles already subject to RUC

NZD 1.9 billion

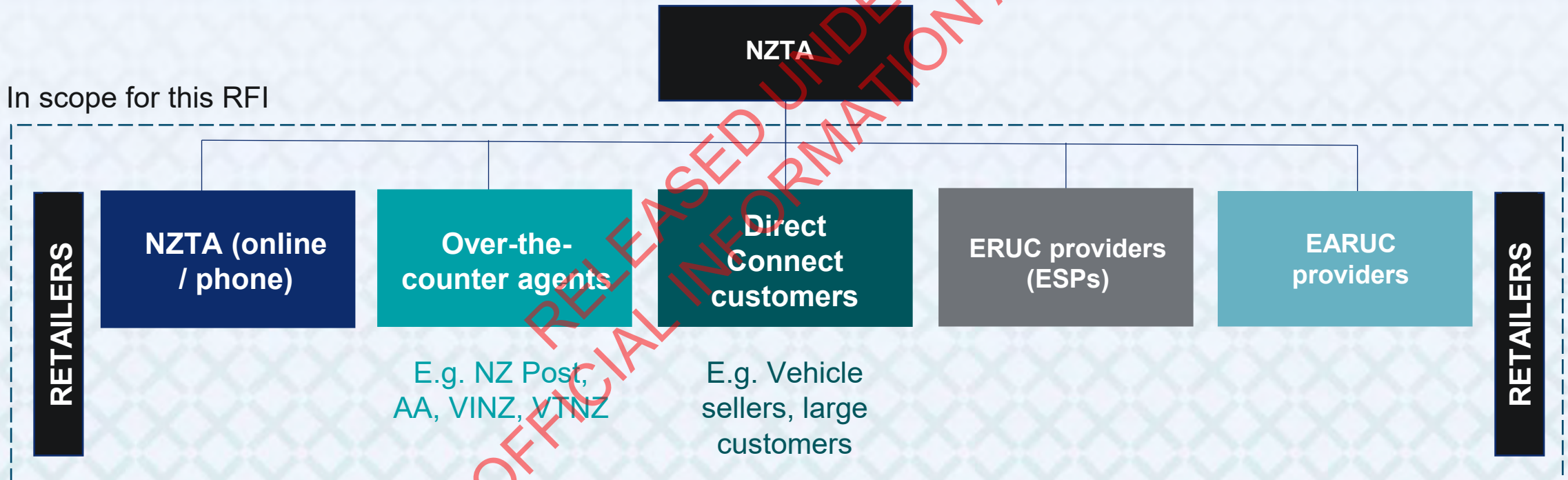
Government RUC revenue in FY24

~2/3

Heavy vehicle RUC revenue collected via ERUC

The current RUC system (1 of 2)

The New Zealand Transport Agency (NZTA) is the RUC collector and there are several outlets through which vehicle owners can purchase a RUC licence



The current RUC system (2 of 2)

The current RUC system was originally designed with the heavy vehicle fleet in mind. The transition of 3.5 million vehicles provides a timely opportunity to review the existing arrangements

NZTA's RUC retail system

NZTA's RUC retail system is largely **manual** - users must realise that they need to buy a licence and then log onto NZTA's **online portal or visit agents** to purchase a licence. **Fleet customers can use "direct connect"** to purchase and manage their purchase and label printing.

Many RUC users buy their RUC via the NZTA online portal or from agents. 90% of light and 28% of heavy RUC revenue is collected through these outlets.

Licenses are currently **pre-purchased in increments of 1,000 kilometres** and various rates apply depending on vehicle.

Electronic systems (ERUC)

Electronic System Providers (ESPs) offer a subscription fleet management service (assisting with operational efficiency and safety) and typically includes RUC services (ERUC). These services are **predominantly used by the commercial/heavy vehicle fleet.**

There are currently three ESPs in New Zealand. They **handle the RUC calculations**, are liable for the debt to NZTA, and are **regulated by NZTA** under the [ERUC Code](#).

ESPs use two sources of distance data. One is typically **GPS based**, the other a **distance recorder** installed in the vehicle.

Electronic systems (EARUC)

Electronically Assisted RUC (EARUC) supports vehicle owners with the administrative side of managing RUC, and can facilitate the purchase of RUC via an application or portal connected to the NZTA RUC transaction portal.

EARUC providers sometimes use a **device mounted on the windscreen** to display RUC distance licences. EARUC products do not typically include distance recording.

The EARUC market is still in the relatively early stages of development but is an area where there is **emerging interest from providers.**

What is changing?

With ~3.5 million light vehicles transitioning to RUC there will be **new market dynamics**.

The Government is keen to review **RUC retail arrangements** to ensure they **suit the changed conditions** and provide an **easy transition and ongoing service provision** for new users.

Objectives in considering RUC retail purchase settings include:

Ease of payment

- 1 As far as possible, paying for road use should be easy, with a range of options

Provides user choice

- 2 Users can **choose from various providers** with services tailored to individual needs

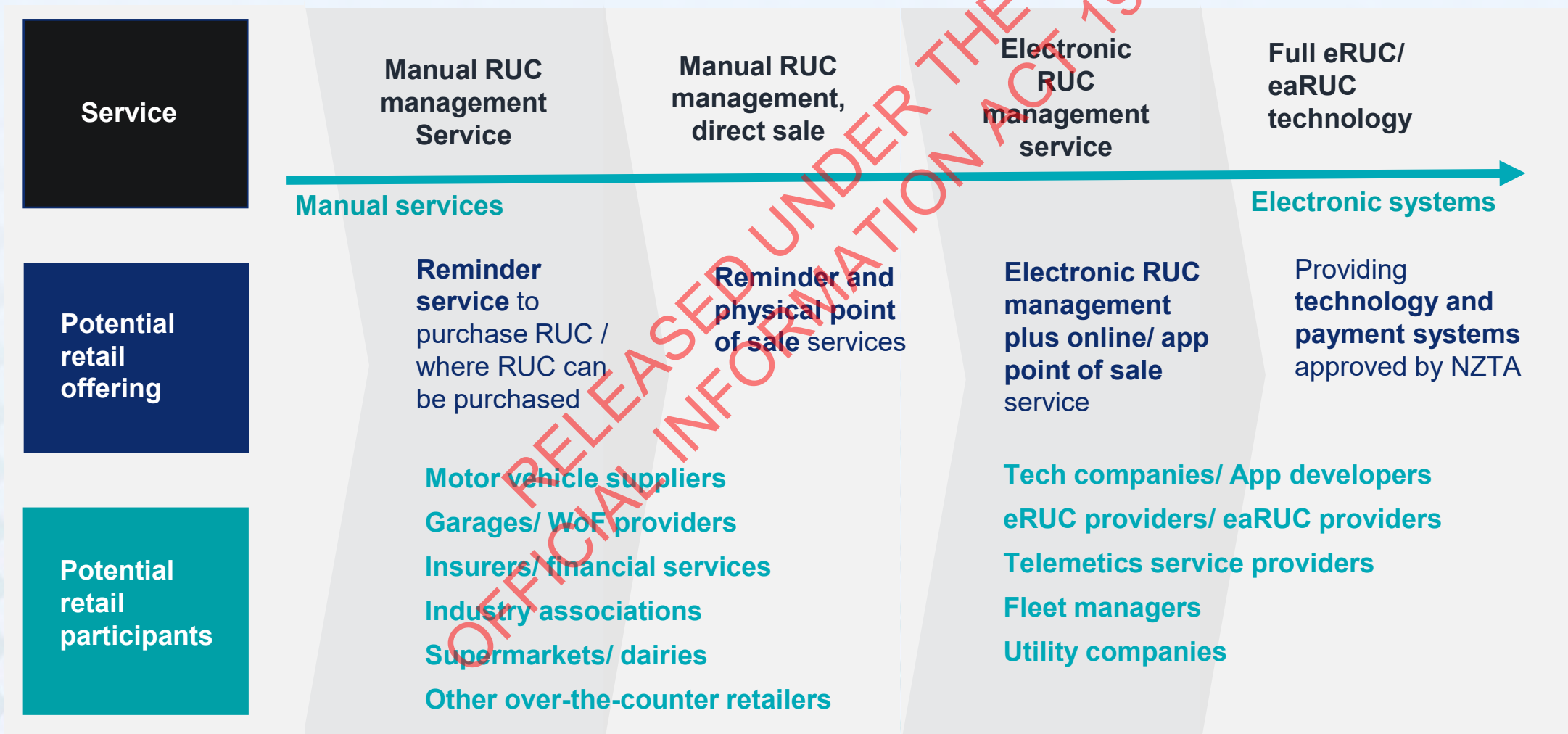
Market-led

- 3 Providers tailoring offerings to serve the user, resulting in **improved user experience**

Revenue security

- 4 Balance a **user-friendly system** with ensuring revenue security

RUC retail opportunities



What are the commercial opportunities connected with RUC retail?

We expect the sale of RUC may augment existing commercial activities and may generate customer interactions, attract new customers, or present an opportunity for providing value-add services, e.g.:

Payment bundling

Enabling the bundling of RUC with other services (e.g. broadband, power, rates, phone and transport) for ease of payment to a single trusted payee

Finance/ payment smoothing

Subscription/smoothing to reduce the impact of lumpy payments. This may include offering post-usage options or charging regular flat fees based on estimated usage

Technology solutions

App and/or telematic services for vehicle distance recording, RUC payment and associated fleet management services

Advertising

Website and app advertising at point of sale. Sale of information to advertisers (with the express permission of customers)

Data aggregation

Selling anonymised aggregated data gained through the provision of electronic RUC retail services (with the permission of users)

Other retail services

Purchase of RUC alongside the purchase of other items

What we want to know

A summary of questions in the RFI response form is set out below – not all questions will be relevant to all respondents, please feel free to answer selectively

About you

To what extent is the provision of RUC retail services something you currently do?

Level of interest

What is the nature of the RUC retail service you are interested in?

Commercial proposition

Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities?

Technology

What role might technology offered by your business play in the future RUC retail market?

Barriers

What might help or hinder you from participating in the RUC retail market?

NZTA

How can NZTA's activities enable and encourage RUC retailers to participate?

Revenue security

How can RUC retail market participants assist with balancing a user-friendly system with ensuring revenue security?

Consumer protection and support

Do you have any initial views on how you might ensure appropriate protection of consumers (eg. Complaints, remedy mechanisms)?

Next steps





27 November 2024

OC241339

Hon Simeon Brown

Action required by:

Minister of Transport

Monday, 16 December 2024

COST ALLOCATION MODEL AND ROAD USER CHARGES

Purpose

Provide background information relating to the cost allocation model (CAM), how it is used to set road user charges (RUC), and potential changes to improve the approach.

Key points

- The RUC system aims to charge rates to vehicles that are proportionate to the costs they impose on the network. The Ministry is responsible for the CAM, which breaks down expenditure from the National Land Transport Programme (NLTP) and assigns costs to every kilometre travelled on the network.
- The CAM's main influence is on RUC rates for heavy vehicles, as light vehicles (up to 3.5 tonnes) pay very few weight-related costs due to their negligible impact on road wear. Instead, light RUC rates are made up predominantly of 'common costs' that do not vary with vehicle weight and are charged equally to all powered vehicles.
- The CAM is typically used as a guide to consider user-pays when setting RUC rates rather than for precise rate-setting. It has no legislative standing and given the significant averaging within the model, and regular fluctuations in CAM-recommended rates year-by-year, successive governments have applied discretion in setting rates. As a result, RUC rates have always differed from CAM rates.
- There has been regular review of the CAM, and most changes have been at the margins. From a road engineering perspective, it remains fit for purpose. The most substantive recent reviews in 2009 and 2011 identified some improvements, most of which were minor. Since 2012, the road transport industry, while not necessarily agreeing with every assumption in the CAM, has generally accepted the way it informs the setting of rates.
- The CAM is only used when RUC rates are being reviewed. This means that it has not been updated since 2020. As a result it is unclear to what extent current RUC rates diverge from the CAM. We intend to update the expenditure and travel data in the CAM in 2025 as a first step towards re-setting of RUC rates in 2027.
- There are some adjustments we could consider improving the CAM, which can support movement towards fair user-pays RUC rates in future. However, there is not a strong

case for a new independent review of engineering assumptions, particularly given the cost and resource required. s 9(2)(f)(iv)

s 9(2)(f)(iv)

Recommendations

We recommend you:

- 1 **agree** that the Ministry report back to you in May 2025 with advice on how the cost allocation model is to be used to set rates for the increases scheduled for 1 January 2027 and to transition petrol vehicles to road user charges Yes / No

Matt Skinner
Manager RUC Transition
 27 / 11 / 2024

Hon Simeon Brown
Minister of Transport
 / /

Minister's office to complete: ☐ Approved ☐ Declined
☐ Seen by Minister ☐ Not seen by Minister
☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Matt Skinner, Manager RUC Transition	s 9(2)(a)	✓
Jonathan Petterson, Principal Adviser, RUC Transition		

COST ALLOCATION MODEL AND ROAD USER CHARGES

The CAM seeks to charge RUC to recover the costs of investment

- 1 The cost allocation model (CAM) is used by the Ministry to guide the setting of road user charges (RUC) and fuel excise duty (FED). It is the primary tool to support the RUC system's purpose to impose "charges on RUC vehicles for their use of the roads that are in proportion to the costs that the vehicles generate".
- 2 The CAM takes the costs of delivering the National Land Transport Programme (NLTP), including Crown funding and local share, and allocates them to vehicles. In this way, the RUC rates aim to, on average, recover the full costs of investment into the system, as a proxy for the costs that each vehicle imposes on the road network.

History of the RUC system and the CAM

- 3 The original purpose of the RUC system when it was implemented in 1978 was to produce all the funding necessary to meet the costs of maintaining, operating and improving the road network. The cost allocation methodology was developed to ensure that the costs were recovered in a manner that indicated the relative cost responsibility of the different types of vehicles that used the roads. In this way, RUC acts as both a cost-recovery tool, but also a pricing signal to road users to ensure efficient choices of vehicles to reduce unnecessary damage to the road network.
- 4 Initially, the RUC system was designed specifically for heavy vehicles. As uptake of light diesel vehicles increased, the RUC system grew. Even though light vehicles now make up over 80 percent of all RUC vehicles, the core focus of the CAM remains on ensuring heavy vehicles are subject to appropriate rates.
- 5 The CAM has always been a feature of the system, and its core methodology is largely unchanged since the original development of the RUC system. Over the years, as the funding system and RUC system have evolved, there has been regular review and revision.
- 6 Most substantively, in 2009, *An Independent Review of the New Zealand* reported back to Hon Steven Joyce on its findings. While broadly focused on the RUC system, it included several specific and technical recommendations in relation to how the CAM allocates costs. This resulted in the biggest change to the RUC system since the 1970s, and as a result we now charge based on the carrying capacity of a vehicle rather than the maximum weight as nominated by the operator. However, despite these changes, the CAM methodology is still largely unchanged.
- 7 Appendix 2 includes a summary of the evolution of the RUC system, and the relevant reviews and updates of the CAM.

The current CAM methodology

- 8 Appendix 1 shows how the allocation of costs works, using the example of the rates output by the CAM for the 2020 setting of RUC rates. There are four substantive steps.

- 8.1 The CAM calculates the number of units of five different cost drivers to be assigned to each RUC vehicle type based on the estimated impact each vehicle type has on the costs of investing in the network.
- 8.2 Total annual NLTP expenditure is broken down into the five cost drivers.
- 8.3 Based on total vehicle kilometres travelled, the CAM calculates how much needs to be charged per unit in order to cover the full costs of investment within each cost driver.
- 8.4 The unit cost for each cost driver (from step 3) is multiplied by each vehicle type's units (from step 1) to identify the rate required to ensure each vehicle is subject to a rate that covers its costs from using the network.

9 The five cost drivers are:

Cost driver	Costs intended to be recovered	How are costs allocated?	Examples of costs included
Heavy vehicle (HV)	Costs attributable only to heavy vehicles	1 unit to every vehicle >6T	Police's Commercial Vehicle Safety Team and some land purchases
Passenger car equivalents (PCE)	Costs that vary based on the amount of space a vehicle takes up	1 unit for light vehicles and trailers, 2 units for heavy vehicles	Some costs of new roads and land purchases
Gross vehicle weight (GVW)	Costs that support roads to manage heavy loads	1 unit per tonne of maximum vehicle weight	Bridges and strengthening pavement
Equivalent standard axles (ESA)	Cost to repair pavement wear caused by axle weight	A factor of axle weight to the power of four	Pavement maintenance, resurfacing and rehabilitation
Powered vehicle (PV)	Common costs that do not relate to weight or use	1 per powered vehicle (0 for trailers)	Road repairs due to age or weather-related damage, road signage, road markings, routine maintenance, traffic lights, road policing and public transport subsidies

Treatment of other costs and revenue

- 10 The CAM takes into account all investment and revenue related to the NLTP. This means that local government investment (e.g. into local roads) and Crown funding where directed via the NLTP (e.g. towards State highway projects) is included within the costs to be allocated. However, because that revenue is already sourced, it is taken off the total needed to be collected from common costs (PV). Similarly, revenue from motor vehicle registration and licensing fees is deducted from common costs.
- 11 FED revenue is treated similarly to light RUC, in that the CAM assumes that the contribution made from FED is proportionate to the same cost drivers as for a light diesel vehicle.

Key limitations of the CAM and areas for further consideration

The CAM's focus is on setting rates for heavy vehicles

- 12 Heavy vehicles travel over 4 billion kilometres per year, about 10 percent of all kilometres travelled on the road network. However, through RUC, heavy vehicle operators pay for approximately 93 percent of the costs of road wear. This is the result of the fourth power rule which reflects that the damage to roads increases exponentially based on vehicle axle weight.
- 13 As a result, small changes to how the ESA parameter in the CAM is calculated, or in the amount of costs attributed to ESA, can have a major impact to the total costs of heavy RUC.

The CAM has a relatively limited impact on light vehicle RUC rates

- 14 As only ESA has an exponential factor, the other cost drivers are spread more evenly across all kilometres travelled and have a smaller impact on rates. As the ESA component for light vehicles is small, there is limited rationale to charge different rates of RUC to light vehicles weighing up to 3.5 tonnes. The following table shows what differentiated weight RUC rates would have been at two extremes for different light vehicles, based on the methodology for the 2020 CAM.

Cost driver	Vehicle weight		
	1.5 tonnes (lightest RUC vehicles) (\$)	2.78 tonnes (average light RUC vehicle) (\$)	3.5 tonnes (heaviest RUC vehicles) (\$)
Heavy vehicle (HV)	0.00	0.00	0.00
Passenger car equivalents (PCE)	9.54	9.54	9.54
Gross vehicle weight (GVW)	2.04	3.78	4.76
Equivalent standard axles (ESA)	0.08	0.92	2.31
Powered vehicle (PV)	57.69	57.69	57.69
GST	10.40	10.79	11.15
Total including GST	79.75	82.72	85.45

The CAM has several limitations

- 15 There are several known limitations of the CAM. Key ones include:
 - 15.1 Vehicle weights are based on estimated averages. The CAM assumes, for the purposes of the ESA calculation, that vehicles operate unladen for half their distance travelled, and maximum vehicle laden weights are averaged within each vehicle class, based on operator stated weight from the system prior to 2012.
 - 15.2 It accounts for average road use. This means it does not take into consideration the actual road usage by an individual vehicle, the type of pavement it travels on, and geographic boundaries. If the system identified vehicle weight and location, there may be a case to use more precise rate setting — for example, a

second power rule for ESA might be more appropriate on some State highways, and a seventh power rule on lower quality local roads.

The CAM is considered a tool to guide setting RUC rates rather than a rigid rate-setting device

- 16 The CAM is generally a tool to help set rates, but given potentially significant swings up and down in rates, Ministers typically use discretion and limits to the extent to which they adopt the theoretical CAM rates. Exact CAM rates have not been applied in recent decades, and 2018 was the last time the CAM was used to influence rate-setting, where increases to specific heavy vehicle rates ranged from 2–10 percent, subject to the extent the CAM estimated the vehicle to be under- or over-paying. In 2019 and 2020, RUC increases were applied as blanket percentage increases to all rates, regardless of the CAM's guidance.
- 17 The policy process for the 2020 RUC increases (as documented in the Regulatory Impact Statement¹) demonstrates how this has worked in practice.
 - 17.1 The government was seeking an overall 5.3 percent increase in total RUC revenue.
 - 17.2 The Ministry used the CAM to develop five options for setting RUC rates to achieve the increase, including adopting the CAM rates in full (with some big decreases and some big increases), increasing all rates between 0–10 percent subject to CAM relativities, and a blanket 5.3 percent increase across all rates.
 - 17.3 The decision was taken to apply a 5.3 percent increase across all rates, to ensure an equivalent impact on all users, despite it moving RUC rates further from what was specified by the CAM.
- 18 As a result of successive decisions consistent with the above, current RUC rates differ significantly from the CAM-suggested rates. Based on the CAM rates modelled in 2020 (based on forecast expenditure for 2020/21 and vehicle kilometres travelled for 2019/20) the CAM calculates heavy vehicles would overpay by about \$200 million per year, and that light RUC rates should be approximately 9 percent higher. Some individual heavy vehicle types have RUC rates that over-recover by more than 75 percent.
- 19 This is a consideration for Ministers, and not an inherent issue with the CAM itself. We will continue to support decision-making in line with the CAM, and therefore greater cost recovery, while recognising that alternatives may be in the public interest.

We consider the current CAM to be largely fit for purpose

- 20 Based on the scope and how thorough previous reviews were, and that they did not result in substantive changes, we do not consider there to be a strong rationale for a wide-scale review. Previously reviews have been initiated as a result of sector discomfort with the system, and we are not aware of concerns being raised by the heavy vehicle industry about how rate increases have been attributed recently.

¹ <https://www.transport.govt.nz/assets/Uploads/RIA/RIS-RUC-increase-2020.pdf>

- 21 Given the limited impact the CAM has on light RUC rates, we also do not consider that the transition of petrol vehicles to RUC warrants a major review.
- 22 However, we are aware of several areas for further investigation that can be progressed internally, that could broadly support a move towards greater application of cost recovery and fairer RUC rates.

Opportunities for future changes to the model in the context of the fleetwide transition

- 23 Prior to consideration of any changes to the workings of the CAM we propose to update the expenditure and travel data used — this has not been done since 2020 and may result in an increase in weight-related costs (such as pavement maintenance spending) and a decrease in common costs (such as public transport). This in turn could result in the CAM recommending lower rates for light vehicles and higher rates for heavy vehicles.

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APPENDIX 1: HOW THE CAM WORKS

The CAM assigns a certain number of units of five cost drivers to each vehicle type based on the vehicle's impact on network costs

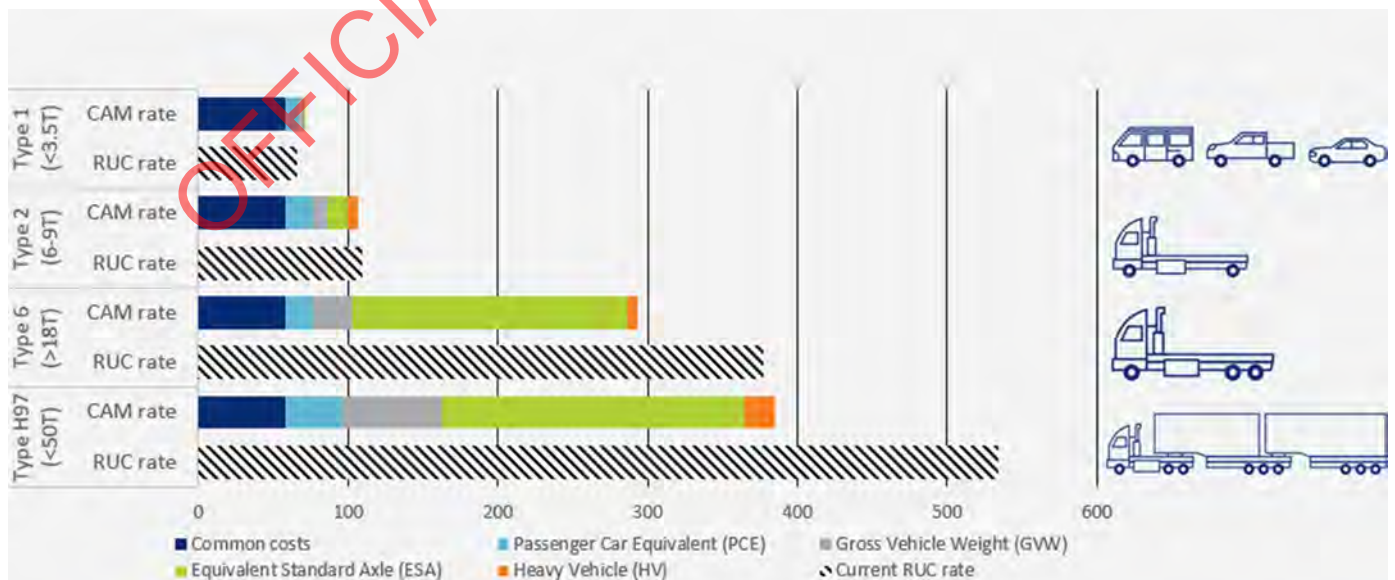
units	Heavy vehicle (HV)	Passenger car equivalents (PCE)	Gross vehicle weight (GVW)	Equivalent standard axles (ESA)	Powered vehicle (PV)
Type 1 <3.5T	0	1	2.78	0.0048	1
Type 2 6-9T	1	2	6.9	0.0737	1
Type 6 >18T	1	2	19.05	0.9657	1

Total NLTP expenditure is broken down into the five cost drivers

\$ million	Heavy vehicle (HV)	Passenger car equivalents (PCE)	Gross vehicle weight (GVW)	Equivalent standard axles (ESA)	Powered vehicle (PV)
2020/21 forecast spend	28.2	518.3	287.0	552.6	4,537.1

Based on total vehicle kilometres travelled, the CAM calculates how much needs to be charged for each unit

\$ per 1,000km per unit	Heavy vehicle (HV)	Passenger car equivalents (PCE)	Gross vehicle weight (GVW)	Equivalent standard axles (ESA)	Powered vehicle (PV)
Unit cost	6.72	9.54	1.36	190.79	57.69



APPENDIX 2: HISTORY OF THE CAM

- The establishment of the CAM dates to the 1973 New Zealand Transport Policy Study which recommended the abolition of regulatory restrictions on the use of trucks in competition with New Zealand Railways and instead proposed the use of pricing to ensure efficient allocation of traffic between the modes. To achieve this, it recommended a cost allocation study as a basis for the calculation of user charges and the appropriate level of non-user contributions. The Officials Committee established to consider and where appropriate implement the Study's recommendations developed proposals for what became the RUC system.
- The CAM has been subject to several substantive reviews. In 1984 the model was updated to reflect the expansion of the National Road Fund. Later in 1996 the CAM was independently reviewed which informed a final report in 2001 from an officials Working Group. The group was chaired by the Ministry of Transport and included representatives from Transfund NZ, Transit NZ and The Treasury.
 - The recommendations from this 2001 report were used to develop an Excel spreadsheet — an evolution of which is currently used to by the Ministry.
 - An extensive review in 2008/09 assessed land transport cost allocations. The purpose of this review was to ensure costs were being allocated to road users in an appropriate way. Prior to this RUC licences were self-nominated by operators based on the maximum weight the vehicle could be at any time during the licence.
 - Recommendations from this review included re-evaluations to use-related CAM parameters, so ESA measures could properly reflect the uncertainties of attributing the effects of road wear to heavy vehicles.
 - The 2009 review was followed by a review of all engineering assumptions in the CAM by GHD/Merrik in 2011. This resulted in a new heavy vehicle parameter being added, along with some other minor changes.
- As a result of the 2009 review NZTA undertook further research into the appropriate way of estimating road damage on different types of pavements and whether the so-called "fourth power rule" was a reasonable assumption for the rate at which road damage increases with axle weight. This research concluded that while a lower power may be appropriate for some roads (typically new State highways built to a high standard) and higher for others (local roads built to a poor standard), the fourth power continues to represent a reasonable average.
- The CAM is broadly consistent with methodology used overseas, which has developed over similar timeframes.
 - A similar method is currently used in Australia for calculation of annual licensing fees for heavy vehicles. Their model is based on average historical cost in terms of road investment and uses similar cost drivers for allocating costs between different heavy vehicle types as used in our CAM.
 - Weight related costs are allocated using the fourth power rule. This rule is based on historical research from New Zealand, South Africa and the USA, and is widely accepted as a rule of thumb for road design.



6 December 2024

OC241190

Hon Simeon Brown
Minister of Transport

Action required by:
Wednesday, 11 December 2024

TRANSITION TO ROAD USER CHARGES: INITIAL ADVICE FOR CABINET REPORT BACK

Purpose

Seeks preliminary agreement to core elements of the plan to transition all vehicles into road user charges in preparation for your report to Cabinet in March 2025, and identifies some matters requiring further analysis.

Key points

- You are due to seek Cabinet decisions on the fleetwide transition to road user charges (RUC) in March 2025. This briefing sets out a proposed scope for that Cabinet paper, focusing on the key improvements needed to enable a transition to begin in 2027.
- As discussed with you on 11 November 2024, this advice has been developed in parallel to the market soundings work being completed. Market soundings will provide insights into the private sector's potential role in providing RUC services, both during initial transition and beyond. However, even with the market soundings information, there will be some inherent uncertainty about the exact role of the private sector.
- Cabinet will ultimately need to make decisions based on a balanced assessment of anticipated private sector involvement and ensuring the availability of a robust, user-friendly system to support the transition to RUC in 2027. Based on information currently available to us, we consider that the private sector may not be able to provide the level of certainty required, particularly in terms of their ability to rapidly develop and deploy a modern and user-friendly RUC system, within the necessary timeframe. A minimum service level will be required from the New Zealand Transport Agency (NZTA), at least as a transition step.
- This does not preclude greater private sector involvement in the system as we move beyond the transitional phase. RUC legislation is broadly enabling and should support a shift towards a fully electronic system with greater market involvement over time. Taking this into account, we propose that your March report back to Cabinet:
 - reaffirms fair charging for road use as the primary rationale for the transition to RUC
 - agrees to work towards a fully electronic system for all vehicles in the future

IN CONFIDENCE

- agrees to retain the key features of the RUC system through the transitional phase. These include a centralised rate setting, individual vehicle taxation, the use of RUC to fund national land transport expenditures, and a role for NZTA as a RUC retail provider.
- We also propose Cabinet agree improvements to the existing system including offering flexible payment options, implementing digital licences, and strengthening the enforcement regime.
- If Cabinet confirms an ongoing role for NZTA during the transition phase, some level of investment in the NZTA-administered RUC system may be necessary to ensure the transition can proceed. Such investment will, however, need to be structured to not crowd out private sector involvement. We are currently exploring options for improving the NZTA system, including more significant improvements such as auto-purchasing and account-like payment systems. These improvements will require careful consideration of the costs and time needed to implement and further analysis.
- A significant communications campaign is needed to transition 3.5 million vehicles into the RUC system. We propose that in March, Cabinet authorise NZTA to begin a communications campaign to inform and engage the public about the transition. We will provide this collateral alongside the Cabinet paper for consideration.
- Between now and March 2025, we intend to provide you with several products, including a report on the market soundings exercise currently underway. In February 2025, we will advise you on the necessary changes, and will provide you with the draft Cabinet paper.

Recommendations

We recommend you:

- 1 **agree** that the draft Cabinet paper will seek agreement to :
 - a) the objectives of the transition are to:

i. ensure all road users are fairly charged for road use	Yes / No
ii. improve revenue sustainability	Yes / No
iii. move towards a digital future	Yes / No
 - b) retain the key features of the existing RUC system through the transitional phase Yes / No
 - c) essential changes to the RUC payment approach, namely:

i. allowing users to purchase RUC in smaller increments than 1,000 kilometres to provide flexibility and better manage cash flow, subject to further investigation	Yes / No
ii. allowing users to pay for RUC in instalments, subject to further investigation	Yes / No

- | | | |
|------|--|----------|
| iii. | reviewing administration fees for the issue of RUC licences by 2027 to allow more frequent purchasing and encourage compliance | Yes / No |
| iv. | allowing users to pay for RUC in instalments, subject to further investigation | Yes / No |
| v. | introducing new ways to collect odometer readings, with specific details to be determined later | Yes / No |
| vi. | transitioning to digital RUC labels and removing the current requirements to display labels on vehicles | Yes / No |

s 9(2)(f)(iv)

- 2 **note** that other changes to the payment approach are being investigated, including:
 - a) enabling RUC purchases through a mobile app to improve convenience and accessibility
 - b) implementing a system to users to sign up for reminders to repurchase RUC based on time intervals
- 3 **note** that officials are preparing a Budget 2025 bid for system improvements, focused on necessary improvements to NZTA's systems that will not preclude innovation and greater private sector involvement
- 4 **note** that further work will be undertaken to assess the feasibility and implementation of auto-purchasing and account-like pre-payment systems for the NZTA-administered RUC system.
- 5 **note** that the draft Cabinet paper will also set out the most effective way to remove fuel excise duty.

- 6 **discuss** with officials an appropriate timeframe for shifting the entire vehicle fleet to electronic RUC. Yes / No



pp

Matt Skinner
Manager, Revenue Policy

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Contacts

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Jonathan Petterson, Principal Adviser, RUC Transition		

IN CONFIDENCE

TRANSITION TO ROAD USER CHARGES: INITIAL ADVICE FOR CABINET REPORT BACK

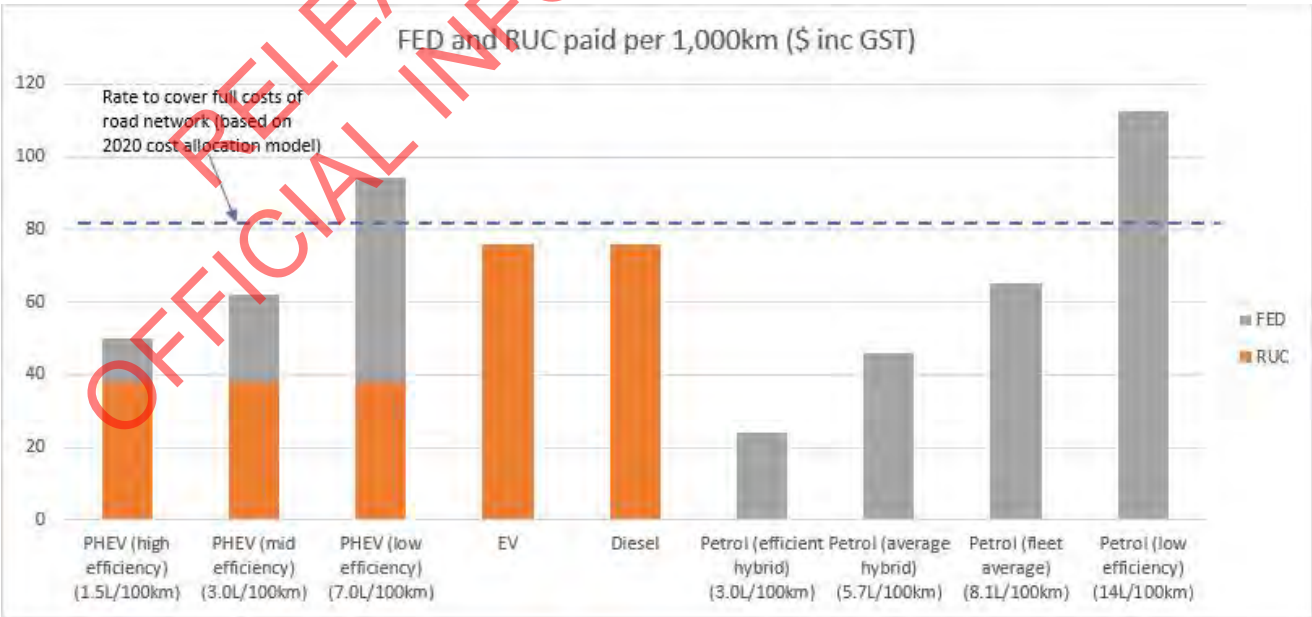
We are preparing for your March 2025 report back to Cabinet on the transition to road user charges

- 1 At the Transport Officials meeting on 11 November 2024, we discussed the work to date and upcoming advice on transitioning the light petrol fleet to RUC.
- 2 In March 2025, you intend to report to Cabinet seeking decisions to improve the RUC system necessary to transition the fleet. This will include seeking authorisation to issue drafting instructions for the required legislative amendments.
- 3 This paper outlines, for your preliminary agreement, the core components of your March report back, identifies issues requiring further analysis, and proposes that your report back seeks agreement to initiate communication efforts to prepare the public for the transition to RUC. The annex illustrates the milestones achieved and the planned steps to transition the entire fleet to RUC by 2027.

Cabinet should reaffirm the policy rationale for the transition

Revenue from petrol vehicles is eroding and the system is becoming increasingly unfair

- 4 Over time, the increasing average fuel efficiency of the petrol vehicle fleet has begun to erode the amount of revenue raised per kilometre travelled. It has also led to a situation where owners of inefficient petrol vehicles are paying more in tax to travel the same distance than owners of efficient petrol or hybrid vehicles. The graph below breaks this down in more detail.



- 5 The graph shows the amount of tax, including GST, paid for different vehicle types to travel 1000 kilometres. Key takeaways from the graph are:

- 5.1 Petrol vehicles with lower fuel efficiency face higher tax burdens due to increased fuel consumption under the fuel excise duty (FED) system.
 - 5.2 Diesel and electric vehicles face a tax burden through RUC that is roughly equivalent to petrol vehicles with average fuel efficiency.
 - 5.3 The amount of tax paid by owners of petrol vehicles and plug-in hybrid electric vehicles (PHEV) varies significantly based on fuel efficiency, and low-efficiency PHEVs (eg, an older Mitsubishi Outlander) pay a comparable amount of significant tax, similar amounts to less fuel-efficient petrol vehicles.
 - 5.4 Most vehicle types are below the rate needed for full cost recovery of the roading network, indicating that most vehicle types cover their share of the cost. However, electric vehicles (EV) and diesel vehicles - due to RUC - are generally closer to full cost recovery than petrol vehicles.
- 6 This has also impacted the overall balance of how we collect revenue. Despite accounting for a large majority of the vehicle fleet, total revenue from FED is only marginally more than the total revenue derived from RUC. RUC revenue is projected to continue to increase as the fleet evolves, whilst revenue from FED is projected to decrease.

The key objectives of the transition are to address these issues

- 7 The Minister of Finance has invited you to submit a bid for the RUC transition in Budget 2025. We have started preparing the materials necessary for a bid, and NZTA has been working on a business case. Cabinet has already agreed on the strategic case, but by March, the business case will be more advanced, and Cabinet will have the opportunity to reconfirm the primary rationale for the transition, namely:
- 7.1 **all users contribute a fair amount per kilometre travelled:** Under the current system, the amount users contribute varies significantly (in some cases, road users pay three or four times more for similar vehicles) depending on whether they pay FED or RUC and their vehicle's efficiency. RUC is fair for everybody.
- 8 We also have two secondary objectives for the transition:
- 8.1 **improved revenue sustainability:** Revenue from FED will decline with improved fuel efficiency unless FED increases, exacerbating existing fairness concerns. RUC ensures revenue is proportionate to a vehicle's contribution to roading costs.
 - 8.2 **moving towards a digital future:** The transition enables a framework for more affordable electronic RUC (eRUC) systems, reducing costs and integrating vehicle-related charges.

Cabinet should agree to build on the existing RUC framework rather than completely overhauling it

- 9 In April, Cabinet was advised that work was underway on improving the odometer-based system and enabling more affordable eRUC options for 2027. Road users can choose either odometer-based RUC or eRUC when the transition commences.
- 10 Changing how 3.5 million road users pay for their road use within 2–3 years is a significant undertaking. Gaining public acceptance will be critical to its success and mitigating the risks to revenue. A phased approach – moving people to a long-standing and relatively well-understood system with targeted improvements – will reduce some risks and lay the groundwork for a future electronic system.
- 11 We propose that your report back should ask Cabinet to agree to build on the existing RUC framework rather than completely overhaul it. This means maintaining the following core features through the transitional phase:
- 11.1 **centralised RUC rate setting.** RUC rates will continue to be set centrally to achieve average cost recovery at a network level, to meet a revenue target determined by the government.
 - 11.2 **remain at the individual vehicle level.** Rather than a utility-like payment, RUC will remain a tax at the individual vehicle level, with rates specified in legislation and subject to parliamentary oversight.
 - 11.3 **fund national transport expenditure.** RUC revenue will continue to fund national land transport expenditure through the National Land Transport Fund, supporting various land transport activities.
 - 11.4 **an ongoing role for NZTA.** NZTA will retain a role in the RUC system, likely a relatively large one during the transition period to ensure a successful transition. Greater private sector involvement is possible within the existing legislative framework, but this is likely to increase over time, with NZTA's role potentially decreasing.

Essential changes to the NZTA-administered RUC system to transition the fleet for 2027

- 12 Some essential and straightforward changes are needed to RUC payment systems and enforcement tools for 2027, for which you should seek Cabinet's agreement in March 2025. These changes aim to do the minimum to get all vehicles into the RUC system. These changes would also be valuable and improve the RUC system even if the transition to RUC was not planned (ie, 'no regrets').

Reforms to payments

- 13 We propose that you seek Cabinet agreement to the following changes in how people can purchase RUC:
- 13.1 **remove 1,000km increments.** The current system forces users to purchase RUC in 1,000km increments, which can be inflexible, especially for users with poor cash flow and limited access to credit. Allowing users to purchase RUC in

smaller increments could make buying RUC more like how some users buy petrol. We are working with NZTA to identify any unintended consequences of this, and investigating potential alternatives such as limiting this to the light vehicle fleet/private owners or allowing people to pay in instalments.

- 13.2 **review administration fee.** The administration fees for purchasing RUC can be a barrier to smaller, more frequent purchases. NZTA is planning to review the fee structure to ensure that it encourages users to buy RUC more regularly, aiding more frequent purchases and improving compliance.
- 13.3 **digital licences.** Transitioning to digital RUC licences would eliminate the need for physical labels and reduce administration costs.
- 13.4 **odometer readings.** Introduce new ways to collect odometer readings, with detail to be determined later.
- 14 Other changes to payment options are planned – we do not consider that these require Cabinet approval:
- 14.1 **app purchases.** Allowing users to purchase RUC through a mobile app could improve convenience and accessibility. This would give users a more flexible and user-friendly platform for purchasing RUC.
- 14.2 **provide reminders.** A website or app to allow users to sign up for notifications to repurchase potentially based on time intervals.
- 15 These changes will improve the RUC system, making it easier to comply with and resulting in less need for expensive enforcement activity. These changes draw on NZTA's proposed 'early deliverables' package to improve the RUC system. We are seeking to include and fast-track these additional changes as part of the early deliverables work.
- 16 However, even with these changes, the fundamentals of the RUC payment system will remain unchanged. Users will still need to track their odometer readings, and self-initiated action will be needed to purchase RUC. The option to sign up for reminders will likely help users and address a key reason people report falling behind (forgetting to repurchase). However, individuals will still need to take action to purchase RUC.

Reforms to enforcement arrangements

- 17 The decision to continue treating RUC as a tax limits the scope for private operators to enforce it. The NZTA and Police will still primarily collect overdue/unpaid RUC. The Police have on-road enforcement responsibilities for RUC, and the intensity of on-road enforcement is limited by Police resources and priorities, rather than legislative settings. We propose that reforms to the enforcement focus on the following areas:

s 9(2)(f)(iv)

17.2 s 9(2)(f)(iv)

17.3

17.4

17.5

18 s 9(2)(f)(iv)

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20 NZTA has prosecution powers, but these are not generally used for light vehicle RUC offences because the small amounts of money involved do not justify expensive prosecutions. However, NZTA may need to take certain prosecutions that it would not usually take for matters like odometer tampering to ensure that people know that the government is monitoring illegal action and will respond. Additional resources may be needed to carry out prosecutions.

21 NZTA has identified some initiatives (with early scoping and costing work undertaken) that it considers should be progressed. There may be an opportunity to progress these as part of the March 2025 report-back but further work is needed to identify funding for these changes.

22 The March 2025 Cabinet paper will also need to seek decisions on other matters, including the approach to transition (how do we bring everyone into the RUC system, when and how do we switch FED off). We will also likely seek agreement to a range of minor legislative changes, including a revised approach to several matters of detail (including RUC refunds for travel off-road).

The need for additional enhancing NZTA retail services will depend on the market interest

23 By the time Cabinet considers the paper, we will better understand the private sector's readiness to deliver RUC services following the completion of the market engagement exercise. The Request for Information phase of the market engagement concludes on 12 December 2024. An overview of market interest will be provided in the New Year, and we propose an overall assessment of the outcome of the market engagement to be included in the March 2025 Cabinet paper, including levels of:

23.1 **interest:** The level of market interest among private providers in getting involved with the RUC system.

23.2 **capability:** The capability of private providers to deliver RUC services by 2027, including technological capabilities and potential service offerings.

23.3 **reform:** The degree of regulatory or system restructuring required to enable greater private sector involvement. This includes identifying policy, legislative, and regulatory barriers to the private sector and delivering more user-friendly RUC services. However, the existing framework provided in the RUC Act is already relatively enabling.

24 Additional improvements to NZTA retail services may be more discretionary or unnecessary depending on the outcome of the market engagement exercise and further analysis of their cost and implementation timelines. If private sector interest is limited, additional improvements to the NZTA-administered RUC system can be considered. These features are likely costly and more challenging to implement but could potentially mitigate revenue risks and concerns about the user-friendliness of existing NZTA platforms. Examples of possible additional improvements could include:

24.1 **auto-purchasing of RUC.** This would allow users to automate regular payments based on anticipated mileage. This option would include targeted enforcement measures like follow-up on flagged vehicles and mandatory odometer reporting.

24.2 **account-like pre-pay system.** This system would link payments to individuals or vehicles, enabling regular billing and direct debits based on the estimated distance travelled. This option could introduce new obligations (such as monthly payments) to align enforcement with Inland Revenue approaches and potentially utilise tools like ANPR.

25 The need for these additional improvements will be considered part of the NZTA's detailed business case phase, scheduled to commence once Cabinet has made decisions in March 2025. Overall, any assessment on whether further improvements are needed will need to be based on a balanced evaluation of market interest (including the number of providers and scope of services), private sector capacity to deliver effective RUC services by 2027 (meeting required standards for functionality, reliability, and security), implementation timelines, and the cost of implementing (comparing private sector costs with NZTA's internal development costs).

Managing equity impacts of the transition

- 26 Shifting to RUC will improve equity in the sense that people driving efficient vehicles will pay the same as someone driving a less efficient one.
- 27 However, FED has the benefit of being automatically or simultaneously paid as a vehicle is used, and it is not possible to fall behind on payments. The RUC system, which relies on voluntary compliance and currently encourages bulk purchasing (in 1,000-kilometre increments, plus administration fees for each transaction), may be a barrier for lower-income people. Enabling purchases in smaller increments and reviewing administration fees could assist lower-income people in complying.
- 28 The most significant equity issues may arise from the potential for people to fall behind with their RUC payments to the extent that they accumulate considerable debt and even potential criminal penalties. This is already an issue in the current system, but its scale will increase with all private vehicles in RUC. Similar issues arise in the broader tax system, and we would look to apply experience there to mitigate RUC debt and non-compliance.
- 29 We have engaged with the Ministry of Social Development (MSD) on potential opportunities to use the benefit system to mitigate some inequities. We will engage with MSD over the next few months and include further information in our final advice.

An extensive communications campaign will be necessary for an effective transition

- 30 The change to paying RUC rather than petrol tax directly at the pump will be a big change for New Zealanders. As the transition is not scheduled to begin until 2027, we will need a long-term campaign with messages targeted at different user groups across multiple channels to ensure broad reach and effective engagement. NZTA would lead this campaign, with support from the Ministry, where needed. The campaign will also need to reach beyond individual motorists – for example, a range of businesses will need to be kept well informed as the transition may impact/influence their businesses.
- 31 We propose that your March 2025 paper seeks agreement to authorise NZTA to begin a communications campaign for the fleetwide transition.

The overall impact on revenue depends on several factors

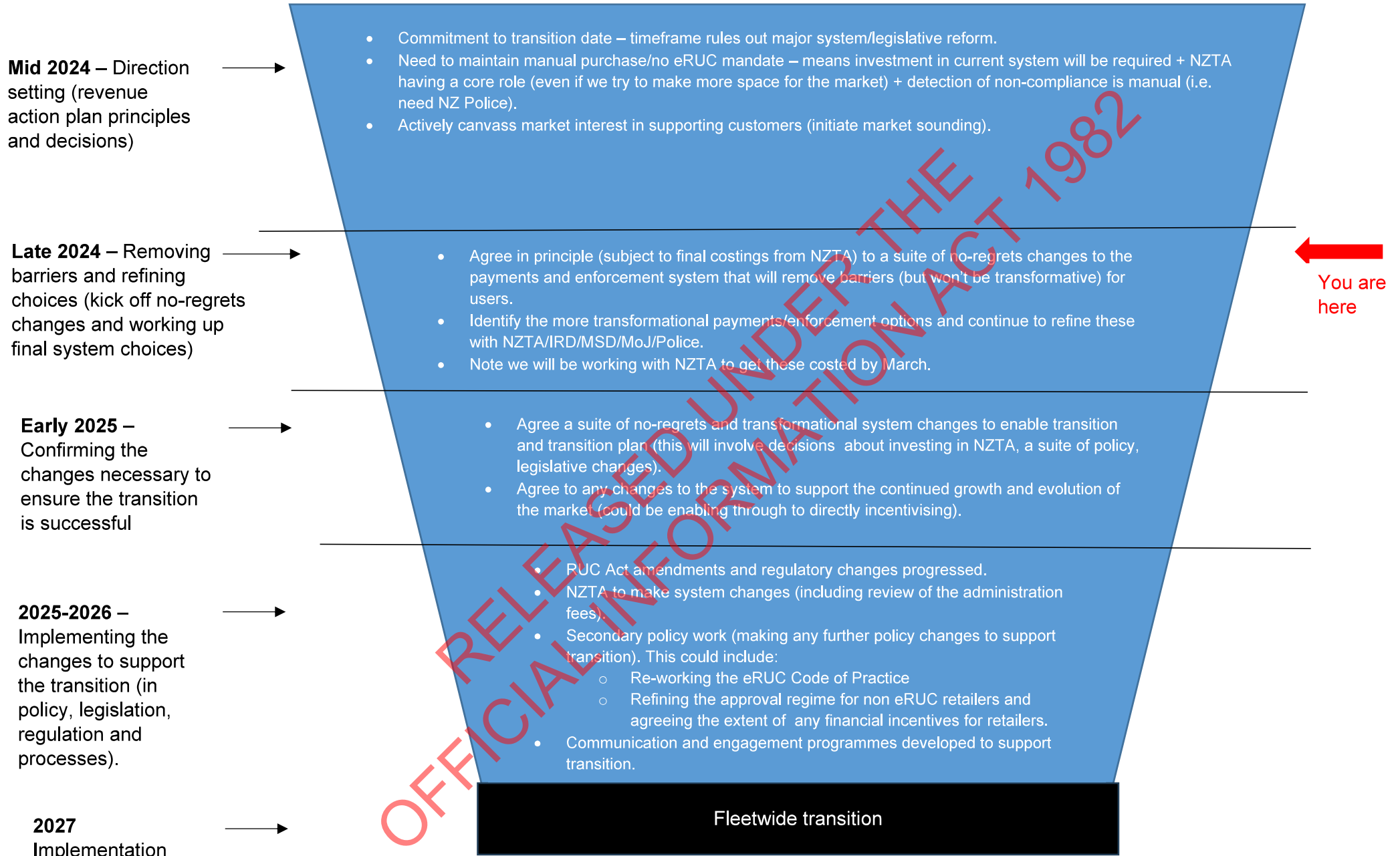
- 32 We are working to assess the overall potential impact on revenue. This impact will depend on several factors, including the effectiveness of the transition, compliance levels, administrative costs, and how RUC rates are determined. To offset any adverse revenue effects from the transition, setting the rates slightly higher may be possible to ensure revenue neutrality. We will provide you with further advice ahead of the Cabinet decisions in March 2025.

Next steps

- 33 The next immediate deliverable is an update on the outcome of the market engagement exercise. Once completed, we will provide an update and a briefing assessing the market's interest in offering RUC services. Market participants may specify the lead-in times they need and any arrangements necessary to provide them with the certainty required to invest in platforms for delivering these services. During the market engagement, we anticipate that potential market participants may seek clarity on the future role of NZTA in the RUC system, as this could impact the commercial viability of entering the market. We will prepare advice on this matter for our briefing.
- 34 In February 2025, we plan to provide further advice on the steps needed to transition the fleet, and we aim to confirm the advice given in this document, subject to the results of market engagement. This advice will include detail on such matters as whether transition is phased and when and how FED is removed.
- 35 It will also cover additional steps necessary to enhance the NZTA-administered system, focusing on improving user-friendliness and compliance and reducing revenue risks associated with the transition. NZTA's business case will be further developed, and we will provide you updates on it, including timing and costs. This briefing will also provide advice on revenue impacts and work on social equity.
- 36 The March 2025 Cabinet paper also provides the opportunity to seek decisions on a range of other changes to the RUC system on minor or technical changes to the RUC system. The changes we would seek to progress were consulted on in 2022 and generally supported by stakeholders.
- 37 After receiving your feedback on the February briefing paper, we will incorporate it into the draft Cabinet paper. We envision that the Cabinet paper needs to seek a policy agreement to change the RUC system for the fleetwide transition and request authorisation for the Parliamentary Counsel Office to begin drafting a bill.
- 38 The table below outlines the subsequent proposed deliverables.

January 2025	Results of market engagement – assessment of the private sector interest and readiness to deliver RUC for the 2027 transition
February 2025	Briefing paper
February 2025	Draft Cabinet paper provided to you for review and feedback
March 2025	Final Cabinet paper provided to you for Ministerial and cross-party consultation
March 2025	Cabinet Economic Policy Committee
April 2025	Cabinet confirmation

Annex one: Progress in transitioning the fleet to RUC in 2027





20 December 2024

OC241448

Hon Simeon Brown

Action required by:

Minister of Transport

Click to enter a date or delete this + "Action required by:"

RUC RFI PRELIMINARY FINDINGS

Purpose

To provide you with the preliminary findings from the road user charges (RUC) market sounding request for information (RFI). A summary of the respondents and key themes is attached.

Background

- In October 2024, you agreed to engagement with the private sector. This was to assess what the interest in commercial opportunities might look like for RUC, and the role the private sector can have in the fleetwide transition – particularly for the provision RUC services to private motorists.
- Your office was provided with the Market Sounding Documents prior to their release, including the GETS notice, RFI response form and the information memorandum.
- We contacted a number of parties by phone and/or email. These parties were existing RUC service providers, or companies that might be interested in providing a RUC service. The industries included technology, telematic and system providers to utilities, financial services industry groups, fuel companies, supermarkets and other over-the-counter retailers.
- Attached is a summary of the preliminary findings from the RFI. This includes an outline of the respondents, and the key themes found in the responses.

Next steps

- In February 2025 we will provide a report with more detail on the implications of the key themes from the market sounding, and what this means for the fleetwide transition to RUC. Note that the initial draft of the RUC Transition Cabinet Paper will precede this.

Recommendations

We recommend you:

- 1 **Review** the RUC RFI preliminary findings report



Matthew Skinner
Manager, RUC Transition

20 / 12 / 2024

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Matthew Skinner, Manager, RUC Transition	s 9(2)(a)	
Emma White, Acting Director, Revenue		✓



Summary of responses

RFI RUC – Retail services

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NOT GOVERNMENT POLICY

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1.

Summary

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Market sounding summary

COMMERCIAL IN CONFIDENCE
NOT GOVERNMENT POLICY

Purpose

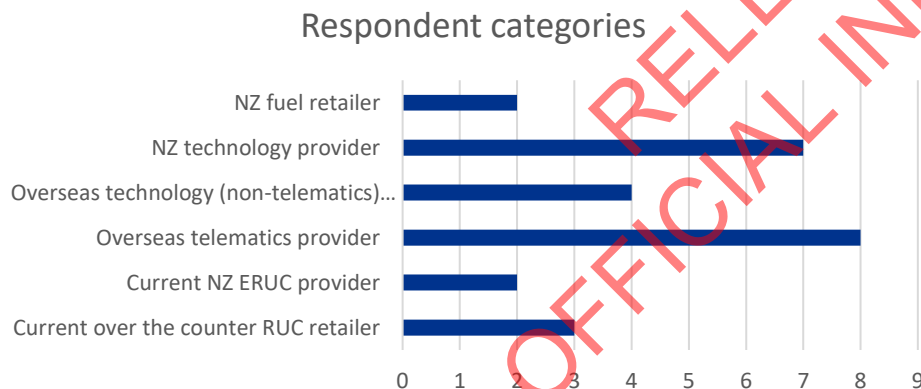
- This paper summarises key findings from the Ministry of Transport's (MoT) market sounding exercise on road user charges (RUC) retail services.

RFI approach

- MoT released a request for information (RFI) on GETS on 15 November 2025, with responses due by 12 December.
- We contacted potential respondents, alerting them to the RFI by email and phone calls. Existing ERUC and EARUC* providers, software, technology, telematic and electronic systems providers utilities, financial services providers, fuel companies, supermarkets, and other over-the-counter retailers were contacted.

Market sounding results

- We received 26 responses, as summarised in the chart below:



- We met with 11 of the respondents in December.

Key themes

Key themes from the RFI responses and meetings are summarised below. Refer to section 2 of this paper for a more detailed overview.

- There is strong interest from over-the-counter (OTC) incumbents, some fuel companies, ERUC providers, and technology and telematics companies. Banks, insurers, utilities companies, parking companies and supermarkets have not expressed an interest.
- The key commercial models are:
 1. Contracting directly to NZTA to provide software as a service (SaaS), or technology development for a contractual fee.
 2. Receiving a commission from government on each user transaction or charging a service fee to end-users – alongside bundling the sale of RUC with other vehicle related charges. Respondents that would need to make capital investment expressed the view that there is a minimum scale in terms of customer numbers that must be achievable to incentivise participation/ investment.
- Using in-vehicle technology (in-built hardware) for newer vehicles to measure distance is likely to cost less than installing onboard units.
- NZTA should not have a retail role, there is a significant conflict with its regulatory role and this undermines competition. NZTA's role in determining fees and charges to competitors is also anticompetitive.
- Key challenges include the lack of clarity on eaRUC authorisation, physical labels in vehicles, connection to NZTA systems for new entrants and data checking costs.

*Electronic RUC (eRUC) uses electronic distance recorders installed in the vehicle to measure distance, with RUC calculations handled by providers liable for the debt to NZTA.

Electronically Assisted RUC (eaRUC) facilitates purchase of RUC licences via an app or portal and can display RUC distance licences on a device mounted on the windscreen. eaRUC products do not have GPS.

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A photograph of a set of wide, shallow concrete steps leading up a hill. The steps are made of light-colored concrete and are arranged in a series of landings and risers. The perspective is from a low angle, looking up the steps.

2.

Detailed
feedback

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Key feedback – the market

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NOT GOVERNMENT POLICY

Market sounding feedback – the market	
Topic	Key respondent feedback
1: Interest in selling RUC	— There is strong interest from over-the-counter (OTC) incumbents, service stations, ERUC providers, and technology and telematics companies both in NZ and overseas. — For parties that envisage making capital investment to develop sale tools, interest is generally subject to ensuring that a minimum scale (in terms of number of customers) exists to achieve a return on investment. Perceptions of whether this scale is achievable will be negatively impacted by NZTA's involvement as a competitor, and the number of direct competitors authorised to sell RUC. — Utilities, banks and insurers were contacted in relation to the RFI (directly and/or via industry associations), but did not express any interest in selling RUC. — Grocery retailers were also contacted, and although they did not respond, we think there is still potential for involvement in the market.
2: Technology options	— In-vehicle technology that uses the vehicle manufacturer's existing in-built hardware is viable for newer vehicles, and there are several respondents that propose to use it to measure distance. NZTA is currently trialling this technology. The limitation is that vehicles manufactured before 2018 generally will not have the technology. The use of onboard telematics devices requiring installation is offered by some respondents, but in comparison to in-vehicle technology, appears expensive. — There are promising mobile apps available that send push-notification reminders to purchase RUC, and can either utilise manual inputs from users, odometer photographs, or connection to in-vehicle technology for distance measurement. They generally bundle the sale of RUC with other vehicle related purchases and administration.

Key feedback – Commercial models

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Market sounding feedback – Commercial models	
Topic	Key respondent feedback
1. ERUC and Telematics providers	— The current eRUC providers exist to provide fleet management services with a focus on heavy vehicles. It is likely that the services they offer will be too expensive for individual consumers to take up in general. — For companies using telematics or recording vehicle data from in-car technology, serving consumers on a large scale is likely to require some form of development payment, guaranteed scale and/or ongoing revenue stream. — There are several parties that only have an interest in developing back-end systems or APIs for NZTA.
2. Other technology companies	— Most technology companies (ie. app developers/ eRUC providers) are interested in the bundling of multiple vehicle-related services (eg. RUC, parking, WoF, registration, tolling). This can also include receiving revenue from the sale of services like insurance, vehicle finance, or vehicle inspection but there is still a need for fee revenue either from government or the user, and a need for a large user base. — Several technology companies noted that they would either require the government to pay an upfront SaaS fee, or for there to be a minimum guaranteed scale. One company mentioned 2 million users as a minimum scale in the absence of SaaS fees, with a per-transaction fee of 5 cents in the dollar charged to customers.
3. OTC providers	— There is interest from some OTC providers in offering a more advanced electronic product to compliment in-store services. — The idea of removing commission, and instead charging customers a service fee is interesting to agents – provided that NZTA is not competing against them with a subsidised service.
4. Fuel retailers	— Interest in selling RUC at the pump and via retail app, with a service fee as the revenue earner. — s 9(2)(f)(iv)

Key feedback – NZTA role and systems

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Market sounding feedback – NZTA	
Topic	Key respondent feedback
1. Labels	— Almost universally, respondents noted that the requirement to have physical labels in vehicles should be removed to enable innovation and wider market participation,
2. NZTA retail role	— Almost universally, respondents stated that NZTA should not have a retail role - that there is a significant conflict with its regulatory role and this undermines competition. NZTA's role in determining its own fees and charges is also seen as anticompetitive.
3. Cost attribution	— NZTA needs to review the way in which it spreads its costs across retail channels –charges (eg. credit card charges) do not seem to be passed on appropriately via administration fees, resulting in cross-subsidisation that penalises customers not buying direct from NZTA.
4. Systems	— Easier connection to NZTA systems should be facilitated for 3rd party providers, and current charges for checking data with NZTA are too high. An example given by a respondent was fees for using Motocheck – to show up-to-date in-app data, the system would need to be checked daily at a cost of \$76 per year per vehicle. It is unclear if NZTA charges the same fee for its own retail offering. — The current interface to Landata is seen as slow and cumbersome by some respondents, who think it may struggle with the increased volumes from the transition. This is the catalyst for one provider wanting to provide a new interface to provide market participants with access to NZTA's back-end databases. — It was noted by one respondent that to get the full benefit of systems change behaviour change (ie. to not make decisions in the mindset of market incumbent) is also needed.
5. Approval of providers	— The NZTA approval process for providers should be simplified – in particular, it is unclear how eaRUC providers can gain approval. s 9(2)(ba)(i)
6. Measurement sources	— The requirements in the ERUC Code for two sources of measurement, and for an onboard unit supplied by the ESP are barriers to entry as they involve costs that cannot be justified for light vehicles. Clear standards for technology are needed (outcome based so as not to restrict new technology).

Key feedback – other

COMMERCIAL IN CONFIDENCE
NOT GOVERNMENT POLICY

Market sounding feedback – other	
Topic	Key respondent feedback
1. RUC sale increments	— Several responses stated that RUC should be available for sale in smaller increments than the current 1,000km minimum (\$76). A fuel retailer noted that currently a large proportion of purchases of fuel at the pump are for \$20 or less, and many people will struggle to manage their payments if RUC cannot be bought in small increments. — A small number of respondents noted an interest in buying RUC wholesale and selling it in small increments.
2. Bad debts	— Bad debts for petrol vehicles may be significantly higher than for diesel vehicles, because a much higher proportion of diesels are owned by companies, and companies are more likely to comply.

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3.

Responses received

The information in this section is commercially sensitive and was provided to MoT in confidence.

Note that some respondents are listed companies.

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Fleetwide transition to road user charges – current state and next steps

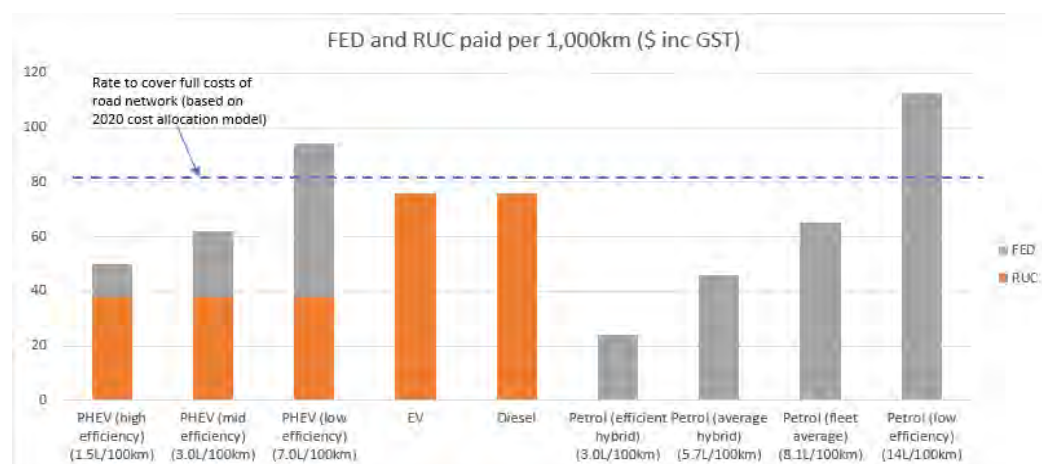


FIGURE 1: COSTS RECOVERED BY VEHICLE FUEL TYPE UNDER CURRENT SETTINGS

- In July 2024, Cabinet:
 - endorsed the Revenue Action Plan that includes transitioning light petrol fleet from paying FED to RUC as a necessary first step
 - agreed that the fleetwide transition would begin as early as 2027, with a target transition date of 1 April 2027

s 9(2)(f)(iv)

- The draft Government Quarterly Action Plan also notes that by March 2025 – we will take decisions on the legislative framework and transition approach required to deliver the fleetwide transition from Fuel Excise Duty to Road User Charges. This will be followed by the further development of the policy and operational framework which will continue to be refined until the transition begins in 2027.

- Given this direction, the Ministry has developed a transitional approach to move light petrol vehicles into the existing RUC framework and deliver system improvements to improve payment options and enhance compliance. This would be an intermediate step toward delivering eRUC. s 9(2)(f)(iv)

- In December 2024, the Ministry completed a request for information (RfI) s 9(2)(f)(iv)

s 9(2)(f)(iv)

- There are over 4.5 million vehicles in New Zealand - 3.4 million vehicles contribute to the National Land Transport Fund through fuel excise duty (FED), and 1.1 million pay road user charges (RUC).

- Over time the average fuel efficiency of petrol vehicles has increased – owners of efficient petrol or hybrid vehicles contribute less to travel the same distance than owners of diesel, electric and less efficient petrol vehicles. Fleetwide, FED is currently estimated to be under-recovering in the order of \$300 million per annum relative to the light RUC rate.

- Without policy intervention, the light vehicle fleet will transition towards RUC. RUC is forecast to be the dominant source of revenue in the mid-2030s and by early 2040 there are expected to be more light vehicles subject to RUC than those contributing via FED.

- The coalition agreement includes a commitment to replace FED with electronic RUC for all vehicles. s 9(2)(f)(iv)

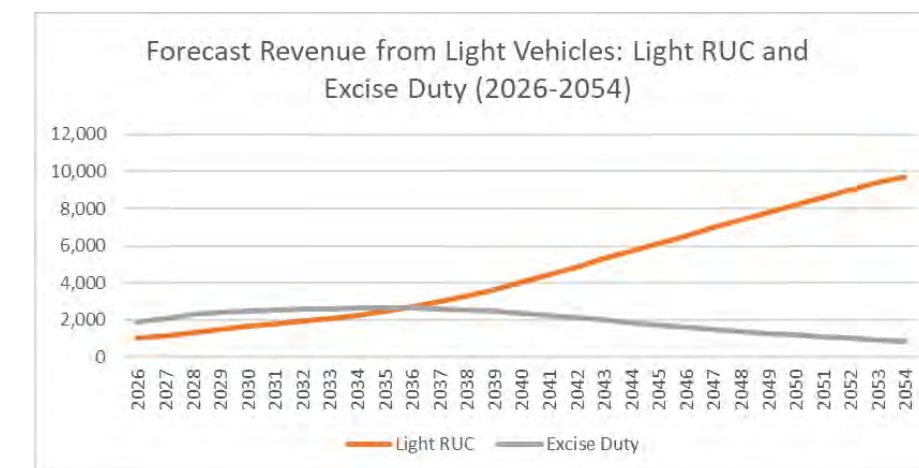


FIGURE 2: LIGHT VEHICLE REVENUE FORECAST UNDER CURRENT SETTINGS

Working draft – illustrative options for approach to fleetwide transition

As the options progress, we achieve higher compliance levels and revenue certainty, with a lower enforcement burden. However, there may be higher upfront costs.

Criteria	Option 1
	Natural fleet progression to RUC
Key benefits, challenges and next steps	Given EV uptake, we anticipate the majority of vehicles will be paying RUC by the early 2040s. In the meantime, FED is under-recovering by up to \$300M per annum relative to the light RUC rate.
Transition timing	N/A
Scope of further advice	

S 9(2)(f)(iv)

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13 February 2025

OC250075

Hon Chris Bishop

Action required by:

Minister of Transport

Monday, 17 February 2025

RUC TRANSITION WORK PROGRAMME

Purpose

Outline the work programme and indicative timelines ^{s 9(2)(f)(iv)}

Key points

- ^{s 9(2)(f)(iv)} This briefing sets out the work we have underway to achieve this, expected sequencing of initial advice, and seeks confirmation of your preferred approach to engagement.
- We have nine key RUC transition workstreams underway. Each workstream will be supported by fleet and revenue modelling, and will consider the speed ^{s 9(2)(f)(iv)}. Annex One sets out the workstreams, including an overview of the critical policy questions they will help answer.
- We plan to provide a series of briefings on policy design decisions from March 2025 onward. The advice in March will cover key outstanding issues needed to design the system required if all vehicles are subject to RUC. The advice in May will outline approaches for transitioning all vehicles into the new system.
- We seek your agreement that we engage, in confidence, with specific groups (e.g., fuel companies, the Land Transport Revenue Stakeholder Reference Group (SRG),² road user representative groups), and RUC retailers while developing the policy advice due in March. This will ensure well informed advice to support decisions on the policy design and transition approach. The Ministry will keep you informed of insights gained from engagement through your Office and the weekly report.

¹ ^{s 9(2)(f)(iv)}

² The SRG was set up by Minister Brown and includes representatives from the Vehicle Industry Association, National Road Carriers Association, Automobile Association, Motor Trade Association, Transporting New Zealand: Ia Ara Aotearoa, local government (Nelson Council), Motor Industry Association, and the Northern Infrastructure Forum.

- s 9(2)(f)(iv)

Recommendations

We recommend you:

- 1 **provide feedback** on the proposed work programme (Annex One refers) Yes / No
- 2 **agree** for the Ministry of Transport to engage with relevant stakeholders in-confidence (refer to proposed engagement column in the workstream table in Annex One) to develop policy advice Yes / No



Brent Johnston
Chief of Staff

13 / 2 / 2025

Hon Chris Bishop
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☒ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Matt Skinner, Manager Revenue	s 9(2)(a)	✓
Brent Johnston, Chief of Staff		

Annex One - RUC transition workstreams

Workstream	Proposed sector engagement before March	Scope of advice
Tranche 1 – March 2025 – Decisions on key elements of the new system		
(1) The role of the market in providing RUC retail services	s 9(2)(f)(iv)	
(2) NZTA systems improvements and potential funding implications		
(3) Electronic RUC (eRUC)		
(4) Compliance and enforcement		
Tranche 2 – May 2025 – How we implement the move to the new system		
(5) Transition approach	s 9(2)(f)(iv)	
(6) Funding options for search and rescue activities		
(7) Definition of light RUC vehicles		
Other matters		
(8) Cost Allocation Model (CAM)	s 9(2)(f)(iv)	
(9) Communications and public education		

Annex Two – Indicative timelines

s 9(2)(f)(iv)

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OC2250006

13 February 2025

s 9(2)(a)

Dear s 9(2)(a)

I refer to your email dated 13 January 2025, requesting the following under the Official Information Act 1982 (the Act):

Can you advise when you will be making submissions on the RFI publicly available, please?

For our part, we have indicated where we think the commercial sensitivity of our response justifies withholding particular sections and are happy for the other parts to be released when the time comes. We would appreciate being consulted if you feel otherwise, of course.

Please also consider this a request under the OIA for copies of the other responses.

25 documents fall within the scope of your request. We are releasing seven responses with redactions made to protect the privacy of natural persons under s9(2)(a) of the Act, three of which also have redactions made under s9(2)(ba)(i) of the Act.

18 responses are being withheld under section 9(2)(ba)(i) of the Act *to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.*

I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

Note that we plan to proactively release a list of the names of parties that responded to the RFI, and a summary of the themes (which will not attribute themes to specific parties).

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Skinner', with a stylized flourish at the end.

Matt Skinner
Manager, Revenue

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Request for Information (RFI) Response Form

Road User Charges – Retail Services

In response to the Request for Information
by: Ministry of Transport

Date of this Response: 12th December 2024

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SECTION 1: About the Respondent

1.1 Our profile

This is a Response by Kapsch TrafficCom New Zealand Ltd (the Respondent) to provide information.

Item	Detail
Full legal name:	Kapsch TrafficCom New Zealand Ltd
Trading name (if different):	As above
Physical address:	9 Hamilton Road, Herne Bay, Auckland 1147, New Zealand
Postal address:	P.O Box 334087
Registered office:	Level 14, 600 St Kilda Road, Melbourne, VIC, Australia
Business website:	https://www.kapsch.net/en
Type of entity (legal status):	New Zealand Private Company
NZBN number:	NZBN 9429033760506
Country of residence:	New Zealand
GST registration number:	Tax ID number: 098-070-826 Registered Company/Business number: 1883916
Consent to follow up (Likely to be in week commencing 16 December)	Yes, but please note most staff will be out of the office between December 23 rd and January 4 th . Availability after January 6 th will not be an issue.

1.2 Our Point of Contact

Item	Detail
Contact person:	s 9(2)(a)
Position:	
Physical location of contact person	Brisbane, Australia
Phone number:	NA
Mobile number:	s 9(2)(a)
Email address:	

SECTION 2: Our Requirements

2.1 Responses

This document should be reviewed alongside the Information Memorandum and the RFI document (see GETS notice for all documents). Please increase the size of the answer box to fit your answers.

About you

To what extent is the provision of RUC retail services (ie. Providing services that support the purchase and management of RUC) something you currently do in New Zealand or another jurisdiction?

What is the scope of your current offering (i.e. types of vehicles, vehicle owners, and services)?

If you currently do not provide RUC retail services but are interested in the opportunity, include any current service offering in a similar sector, your level of experience in delivering that service, and why you are interested in the opportunity to deliver RUC retail services.

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The Extent of Kapsch's Provision of RUC Retail Services

Kapsch provides road user charging services in multiple jurisdictions around the world. We are a full-suite service provider, with solutions ranging from dedicated satellite and radio frequency tolling devices to data processing platforms, and back office, customer/account management and payment systems. Road user charging for all vehicles is a core part of our current and future solution portfolio, supported by a clear vision of delivering and executing such technically and politically challenging projects.

In New Zealand, Kapsch has already implemented road pricing infrastructure through Multi-Lane Free Flow (MLFF) tolling systems on roads such as the Auckland Northern Gateway Toll Road, Tauranga Takitimu Drive and Tauranga Eastern Link. Kapsch was responsible for planning, designing, developing, supplying, integrating, testing and commissioning these systems, which use highly automated MLFF Electronic Toll Collection (ETC) equipment and software to enable tolling on highways without requiring vehicles to slow down or stop. In these examples, we utilise advanced video analytics technology to accurately and efficiently charge each vehicle. This equipment can also be put to use for RUC enforcement by verifying vehicle location.

s 9(2)(ba)(i)

The Scope of Our Current Offering

Overview

Kapsch can calculate RUC using location-based data or manual reporting; we recommend and specialise in the former. Our RUC solution is built around our Geo Location Platform (GLP): software that uses satellite (GNSS) location data from any source to calculate distance travelled according to dynamic tariffs (location, time, vehicle type, emissions class etc.). The structure of the tariffs is set by the public authority, e.g. the New Zealand Government, according to the outcome it wishes to achieve (i.e. revenue generation, congestion reduction/management, air quality improvements etc.). Our RUC solution covers all areas of the value chain, however, our primary focus is on delivering a precise and defensible RUC transaction, which can be collected by Kapsch or by any third-party service provider.

Our location-based solution is supported by three key pillars:

1. Avoid isolated solutions by implementing a harmonised and data-agnostic approach
2. Seamless, choice-based delivery to the end user and added value to the public authority
3. Privacy and data protection at the core

Kapsch's vision consists of a transparent division of responsibilities between authorities, technology suppliers and retail service providers. This division also supports the establishment of a legal and practical separation between data subjects, processors and controllers, ensuring compliance with the most stringent data protection practices from all parties.

RUC Experience

We believe that offering choice to the end user – particularly at the points of data sourcing and service provision – is a key enabler of acceptance. We have demonstrated our ability to produce

secure and precise transactions based on the use of satellite or kilometre data in several countries and across numerous projects. Kapsch also has demonstrable experience and references as both a technology supplier and a retail service provider, as outlined below:

1. **Bulgaria** – Delivery of technical services to a public authority and retail service providers in support of the nationwide satellite-based RUC programme for heavy vehicles. Services included in-vehicle devices, satellite data processing platform, roadside enforcement, transaction generation and back office software. Data from this project is shown in Table 1.

Table 1 Bulgaria RUC Figures

s 9(2)(ba)(i)

2. **Across Europe** – Retail road charging services were provided directly to the end customer – individual light vehicle owners and heavy vehicle fleets – via Kapsch's 100% owned subsidiary Tolltickets. Services included in-vehicle device distribution, back office software, customer account management, transaction generation, billing and payment collection. Data from this project is shown in Table 2.

Table 2 Tolltickets Figures

s 9(2)(ba)(i)

3. **Across Europe** – Satellite in-vehicle devices and technical services for heavy vehicle fleets were supplied to five retail service providers across Europe. Services included in-vehicle devices supply, satellite data processing platform and roadside enforcement. Data from this project is shown in Table 3.

Table 3 Europe Figures

s 9(2)(ba)(i)

4. **Oslo, Norway** – Technical services were provided for a smartphone-based RUC pilot involving individual light vehicle owners. Services included a secure satellite data platform and data processing and transaction generation. Data from this project is shown in Table 4.

Table 4 Norway Figures

s 9(2)(ba)(i)

More in-depth information about our solutions is further discussed in the sections below.

Level of interest in RUC services

What is the nature of the RUC retail service you are interested in offering:

1. Manual RUC management service (but not direct purchase of RUC). This could include a reminder service to purchase RUC and outline or link directly to where RUC can be purchased (online and in physical locations);
2. Manual RUC management service including direct purchase of RUC –as an Agent of NZTA. So that customers are reminded of the need to check and purchase RUC and when new licences are required, they can be purchased (either instore or online);
3. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and providing reminders to purchase RUC licences (but not direct purchase of RUC);
4. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and automatically purchasing RUC directly (as an agent of NZTA);
5. Full eRUC or eaRUC solution as a certified service provider approved by NZTA under the code or a revised version of the code (<https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc-guidelines/docs/ERUC-code-of-practice.pdf>); or
6. Another business model (or hybrid of the approaches outlined above)?

Level of Interest in RUC Services

Kapsch is interested in offering the services outlined in Options 3, 4 and 5 above. For each of these options, our service offering is based on the technical capabilities we have developed and deployed in the reference projects listed in the *About You* section above. In each case, we demonstrate a proven capability to accurately measure and report vehicle distance travelled. We have delivered this service both as an agent of the charging authority and directly to end users via our daughter company Tolltickets. Both directly and indirectly Kapsch reporting devices and associated back office software have been certified by the charging authorities in over 12 European countries, including those applying the highest and most stringent Key Performance Indicators (KPIs).

In addition, we would like to explore the introduction of a somewhat different business model – Option 6 – which we outline below. ^{s 9(2)(ba)(i)}

We believe that user acceptance represents a significant barrier to the introduction of RUC, even those that are replacing an existing form of taxation rather, like a fuel excise duty, than introducing a new one. We also understand that any form of road charge calculation based on the use of vehicle location data will encounter resistance. We also understand that the collection and use of such data is impossible without the explicit consent of the user/vehicle owner.

^{s 9(2)(ba)(i)}

Commercial proposition

Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities?

As the underlying cost of RUC is fixed, retail service providers will need to make a commercial return on activities other than the sale of underlying RUC. This would mean selling RUC as part of a broader offering, such as:

- fleet management/telematic services
- bundling of utility like payments
- financial services to bundle and smooth payments
- sale of information to advertisers (with the express permission of customers) etc.
- efficiency of service offering enabling margin to be made on the administrative fees charged for RUC purchases

This list is non-exhaustive, and any other commercial propositions you may suggest will be welcome, along with any description of what, if any, changes to existing legislative or administrative provisions would be needed to facilitate this.

Are there minimum scale factors that impact commercial viability? Is there a lead time that needs to be considered? What other factors should we consider regarding commercial viability?

An Integrated Approach

Specifically applying the business model proposed in the previous *Level of Interest in RUC Services* section, we recommend integrating RUC retail services with the tolling and traffic management services already provided by NZTA. This has been used to great success in similar Kapsch deployments in Denmark (under BroBizz) and Bulgaria (under TollPass) for their heavy vehicle RUC programs. For the New Zealand Government, this approach would realise the following benefits:

- Create an all-in-one integrated system, allowing NZTA to easily manage the various transport systems – tolling, traffic management and RUC – from a single point.
- Each of these sub-systems can share data and insights with the other to boost overall performance and user experience.
- As mentioned in our other response sections, it is possible to use the existing tolling infrastructure to support RUC, especially in enforcement, reducing new infrastructure costs.
- It facilitates better collaboration across departments and stakeholders, including public transport, freight logistics and emergency services.
- It would give end users a single account to manage their tolling and RUC, and even monitor traffic conditions to better plan their journeys.
- Managing RUC would then become a familiar experience to users as it would be similar to how they already manage tolls, lessening public education and acceptance concerns.
- The integrated system can leverage shared resources to reduce per-user or per-transaction costs and aid in economies of scale.

Any service that requires the use of a vehicle and therefore personal location data – which we believe is the most fair and accurate way to calculate a range of RUC – necessitates a degree of trust, a clear opt-in and a clear sense of value add from the end user. For example, pilots conducted elsewhere in the world have shown that individuals mistrust what are often perceived as government initiatives aimed at ‘tracking’ their movements. Yet the same people happily provide the same data to dozens of applications hosted on their smartphones. In Italy, over 7 million vehicles are equipped with tracking devices, at the driver’s choice, as a means of receiving cheaper car insurance based on driving habits and vehicle location in the event of theft.

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Economies of Scale

The RUC programme is likely to have an initial, one-off fixed cost to establish the necessary infrastructure, systems and processes. This can involve in-vehicle devices, roadside equipment, software, communications infrastructure, public education campaigns, etc. Therefore, including more vehicles in the programme from the start offers significant economies of scale with the following benefits:

- A larger pool of vehicles generates higher total revenue, which offsets the programme's setup costs more quickly.
- Faster revenue recovery can then allow the New Zealand Government to reinvest in infrastructure improvements or reduce future rate hikes, which in turn support public acceptance.
- A larger pool would allow bulk procurement of in-vehicle devices at discounted prices.
- Including more vehicles ensures a perception of equity, as all road users contribute based on usage, reducing resistance to the programme.

Also note, employing an integrated approach as mentioned above would reduce some of this initial cost by reducing the amount of new infrastructure and equipment.

Lead Times

The lead times of hardware – in-vehicle devices, roadside infrastructure and equipment, consumables, back office hardware, etc. – would need to be considered in the early stages to ensure the RUC programme launches as planned.

The commercial viability and lead times associated with third-party RUC deployment depend on how easily the service can be integrated. s 9(2)(ba)(i)

Technology

What role might technology offered by your business play in the future RUC retail market? Does your (current or planned) provision of RUC retail services use technology that you supply to measure and report distance, or support the reporting of distance from existing equipment (e.g. odometers or OEM telematics systems)? If so, can you summarise:

- how the technology works
- what data is collected
- What services you provide with the technology in connection with revenue collection (e.g. distance measurement, tolling, congestion charging, refunds)
- how you ensure the reliability and security of the system
- how revenue security is protected
- how user privacy is protected
- what benefits it offers customers compared to the existing system
- whether the technology is stand-alone or integrated into existing devices (cars or phones)
- whether it requires professional installation (if it is not integrated) and whether it requires any modifications to be fitted for the purpose of providing RUC retail services for light vehicles

Please describe any examples of where and when this technology has been applied in practice for RUC or similar purposes, to generate actual revenue.

How Our Technology Works

Our RUC technology is based on Kapsch's Geo Location Platform (GLP), which enables satellite tolling, road user charging and location-based detection for transport agencies and service providers. The GLP is a device-agnostic, cloud-native application consisting of a series of micro-services, each delivering a specific functionality such as map matching, trip building, and charge report rating and calculation. These combined micro-services turn raw location data into precise, defensible and, ultimately, billable road usage charges.

Upon processing the data within the GLP, information is sent over to the Kapsch Commercial Back Office (CBO). The CBO manages customer relationships using various customer channels, including customer service centres, retail outlets, and web and mobile applications. It is an event-based financial system, based upon generally accepted accounting principles (GAAP)-compliant processes.

The architecture of the CBO contains modules that operate as self-contained, isolated services or microservices. This modular approach provides the flexibility to add new features with limited impact on the system while in operation, reducing the cost of system upgrades.

The Data We Collect

To enable the calculation of RUC we collect location-based data consisting of:

- Satellite (GNSS) coordinates (longitude, latitude and time stamp)
- Speed
- Vehicle heading/direction
- Position accuracy ($\pm$ number of metres of accuracy)

s 9(2)(ba)(i)

. We also collect vehicle data, however, the precise nature of this data depends on the desired outcome of the charge. For example, to charge different rates for electric or low emissions vehicles we would need to collect this data as well, or to charge heavier vehicles a higher rate we or the service provider would need to identify vehicle weight or number of axels etc.

Depending on the separation of responsibilities between the technology supplier and service provider we may also need to collect end-user data, such as vehicle licence plate, name, address and payment information for billing and account management purposes.

Revenue Collection Services We Provide

Our services cover both revenue collection and traffic management, analysis and insights.

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This carries the benefit of being able to deliver one or multiple outcomes such as congestion reduction, air quality improvement or revenue generation. Our traffic-focused services can deliver actionable insights to urban or

interurban road operators such as congestion and traffic level reporting, vehicle routing, traffic signal optimisation etc.

How We Ensure the Reliability and Security Of Our System

Kapsch operates a Security and Monitoring Control Centre (SMCC), which consists of a set of modules for technical, operational, performance and security monitoring of our RUC system. Other steps we take to secure our system include:

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How Revenue Security is Protected

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How User Privacy is Protected

Our solution is built on privacy and security by design. The privacy-by-design concept ensures that the solution processes only collect data relevant to the business and an established data retention management (time to live) ensures timely data clean up, thus the solution is fully compliant with legislation outlined in the European GDPR directive, which continues to be among the most stringent in the world. An additional benefit of the privacy-by-design approach is that the small data footprint per road user keeps operations costs low.

The security-by-design concept encompasses the security mechanisms realised both in solution architecture and software, e.g. encryption in transit/at rest and the aspect of access protection. Access protection is guaranteed by role and privilege management, restricting access to needed

parties only. Penetration tests were performed by a third party and proved that the intrusion prevention solution works, adding confidence to our existing system security. Having a third party conduct the tests allowed us to further improve our system.

Penetration tests were performed by a third party which helped prove that the intrusion prevention solution works and also provides confidence in the existing system security. This allowed us to identify any security risks or opportunities to further improve the overall design

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The Benefits Our Solution Offers Customers Compared to the Existing System

Kapsch strongly believes that RUC programmes based on the use of vehicle location data can deliver multiple complementary outcomes to both users and authorities. These are most evident at the urban level, where adjustments to the tariff can be used to deliver outcomes targeting specific problems, as illustrated in Figure 2.

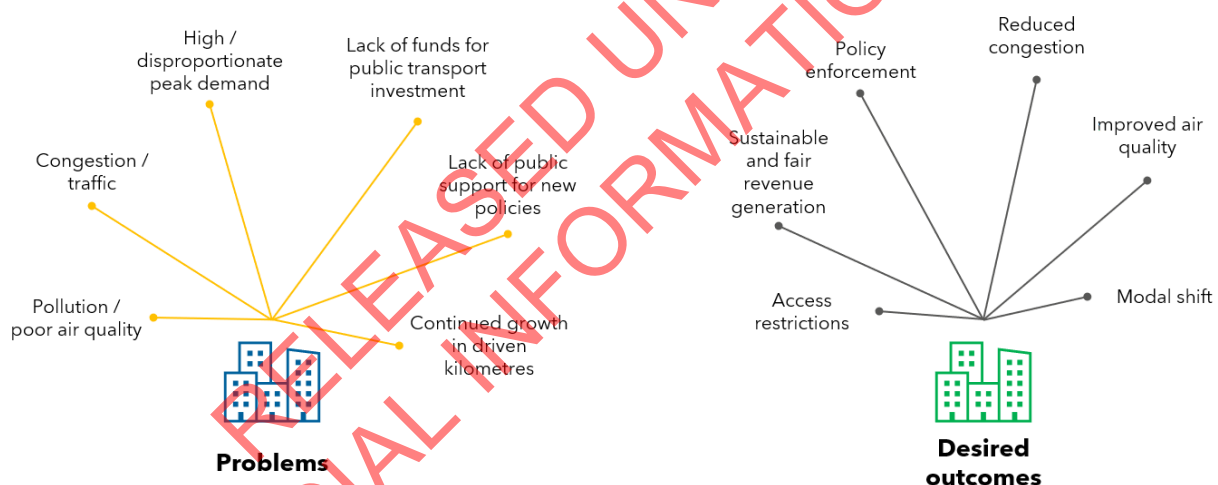


Figure 2 Common problems and desired outcomes for urban areas

As part of our RUC pilot in Norway, Kapsch was able to demonstrate how the implementation of a more dynamic charging tariff (demonstrated in Figure 3) could deliver these different desires. While we typically recommend that RUC programmes start on a simple tariff structure, this same table can be modified and/or applied to New Zealand.

Location based charge		Emissions based charge	Time of day based charge				Distance based charge
			Non-Urban	Urban			
				Non-weekday	Weekday Non-rush-hour	Weekday Rush-hour	
	Motorway	Zero-emission	0.33	0.79	1.25	3.57	
		Plug-in hybrid	0.35	0.83	1.31	3.75	
		Gasoline	0.36	0.86	1.35	3.85	
		Diesel	0.40	0.95	1.49	4.27	
	Trunk	Zero-emission	0.33	0.79	1.25	3.57	
		Plug-in hybrid	0.35	0.83	1.31	3.75	
		Gasoline	0.36	0.86	1.35	3.85	
		Diesel	0.40	0.95	1.49	4.27	
	Primary	Zero-emission	0.30	0.71	1.12	3.21	
		Plug-in hybrid	0.32	0.75	1.18	3.37	
		Gasoline	0.32	0.77	1.21	3.47	
		Diesel	0.36	0.85	1.34	3.84	
	Secondary	Zero-emission	0.27	0.63	1.00	2.86	
		Plug-in hybrid	0.28	0.67	1.05	3.00	
		Gasoline	0.29	0.68	1.08	3.08	
		Diesel	0.32	0.76	1.20	3.42	
	Tertiary and Unclassified	Zero-emission	0.20	0.48	0.75	2.14	
		Plug-in hybrid	0.21	0.50	0.79	2.25	
		Gasoline	0.22	0.51	0.81	2.31	
		Diesel	0.24	0.57	0.90	2.56	
	Residential	Zero-emission	0.17	0.40	0.62	1.79	
		Plug-in hybrid	0.18	0.42	0.66	1.87	
		Gasoline	0.18	0.43	0.67	1.93	
		Diesel	0.20	0.47	0.75	2.13	
	Track	Zero-emission	0.00	0.00	0.00	0.00	
		Plug-in hybrid	0.00	0.00	0.00	0.00	
		Gasoline	0.00	0.00	0.00	0.00	
		Diesel	0.00	0.00	0.00	0.00	

Prices in MOK per km

Prices in NOK per km

Figure 3 Example RUC pricing table

Barriers

To inform the policy, legislative and regulatory settings, we are interested in your view about the barriers to you achieving your commercial aspirations as a RUC retail services provider. What policy, legislative and regulatory setting would need to change or be made easier to enable you to invest in offering RUC retail services?

Barriers

In our view, the barriers to implementing RUC on the scale envisaged by the New Zealand Government are political and legislative, rather than technical. The viability of satellite-based road charging has been proven in many different countries across the world by various suppliers, including Kapsch. It continues to be successfully deployed as an approach to road tolling. All examples of scheme failures are typically due to reversed political decisions or a lack of political will to implement what can often be a divisive solution.

Awareness of this reality is why we consistently promote a solution that is built on the foundations of user choice, opt-in and privacy by design, and includes options whereby users can record distances travelled manually. We also see the benefits of a regulated system of information exchange based on published ISO standards.

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NZTA

NZTA plays an important role in RUC services as the Government's RUC collector.

Under current arrangements NZTA is responsible for:

1. Approving (or declining) any RUC retailer application and appointing and contract managing Agents (some of whom operate under a contract and are paid a commission for RUC sales);
2. Providing RUC retail services to customers directly (through its website and App);
3. Collecting and administering the RUC revenue; and
4. Receiving the statutory fee for RUC transactions.

The Government is keen to ensure NZTA's activities don't crowd out the role of third parties in the provision of RUC services. Are there measures that the Government should take to ensure NZTA's activities enable and encourage other RUC retailers to participate?

NZTA's Activities

Kapsch's role in the RUC programme would be that of a technology supplier, providing in-vehicle, roadside and back office hardware and software. We have also been working closely with NZTA for many years in related road pricing applications and understand their processes. Because of this, we do not have specific advice or feedback on NZTA's activities crowding out third parties.

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On another note, in countries where kilometre-based charges are legally defined as a tax, we typically see a requirement for users to have a 'free' method of calculation and payment. In this case, the costs of collection are borne by the charging authority and may have an impact on their business case.

Revenue security

How can the RUC retail market assist with balancing a user-friendly system with ensuring revenue security?

Revenue Security

For RUC licences, providing a user-friendly system and ensuring revenue security go hand-in-hand; users are more likely to purchase and pay on time if it is easy to do so. The following list suggests how this can be done, specifically for electronic RUC applications:

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Consumer protection and support

Do you have any initial views on how you might ensure appropriate protection of consumers (e.g. complaints, remedy mechanisms)? Would you offer different payment options to enable consumer flexibility and choice in RUC purchases?

Consumer Protection

To ensure appropriate protection of consumers, our system incorporates a comprehensive case management module within the Commercial Back Office (CBO). This module promotes proper traceability and follow-through for all customer issues, utilising alerts and tasks to enhance response times and overall customer management. By integrating the features described below, we aim to provide robust consumer protection and support, ensuring that all customer issues are handled efficiently and effectively.

Case Management:

- **Case Generation:** Cases can be initiated either by a CBO operator or automatically by the system.
- **Assignment and Resolution:** Once a case is registered, it is assigned to an operator who is responsible for resolving the issue. Cases can be modified, reassigned, reclassified, resolved, or cancelled as needed.
- **Automated Alerts:** Automated alerts ensure timely updates and actions, improving the efficiency of issue resolution.

Flexible Solutions:

- **Customer Service:** The CBO system is designed to meet the diverse needs of customers and road operators, offering solutions such as financial adjustments, credits, and debt management.
- **Payment Options:** To provide consumer flexibility and choice in RUC purchases, we offer various payment options. These options are designed to accommodate different consumer preferences and financial situations, ensuring a seamless and user-friendly experience.

Payment Options

In our previous RUC deployments, the price for the end user was determined by the tolling service provider or, in the case of heavy vehicles, the fleet service provider. As general advice, offering flexible payment options, such as prepaid, postpaid and/or subscription, can make it convenient for users and encourage timely and accurate payments which in turn boosts revenue security for the programme.

[Optional] Additional information

If there is other material you would like to make us aware of in considering the policy, regulatory and legislative settings to enable greater third-party provision of RUC services, please feel free to include it below. Avoid attaching company brochures and other advertising material. We can only receive 20MB via email.

Public Acceptance & Communication

The importance of public education and acceptance should not be overlooked. From our previous experience in RUC projects around the world, we have seen they play a large part in the programme's success. All too often anti-RUC parties are far more successful in their messaging and the public is not sufficiently educated in the alternative view.

We believe that RUC can be more successful when it is more ambitious. Revenue collection alone is a much harder proposition to implement and an easier target for opponents. It is our view that RUC should consider the additional outcomes that can be delivered as part of a location-based scheme such as improved air quality, reduced congestion, noise reduction, investment in public transport, fleet greening etc., as a core part of the scheme design.

2.2 Assumptions

Assumptions

Please state any assumptions you have made in relation to the Response.

- We assume that road user charges are legally defined as a tax, rather than a charge or optional fee.
- We assume that third party service providers can legally collect this tax on behalf of the authority.
- We assume that individual users must have an option to pay their RUC without incurring service fees.
- We assume that enforcement and/or the delivery of an enforcement system is not a part of this RFI

SECTION 3: Respondent's declaration

Topic	Declaration	Respondent's declaration
RFI-Terms:	I/we have read and fully understand this RFI, including the RFI-Terms. I/we confirm that the Respondent agrees to be bound by them.	Agree
Conflict of Interest declaration:	The Respondent warrants that it has no actual, potential or perceived Conflict of Interest in submitting this Response. Where a Conflict of Interest arises during the RFI process the Respondent will report it immediately to the Buyer's Point of Contact.	Agree
Details of conflict of interest:	Not applicable	

DECLARATION BY THE RESPONDENT

I/we declare that in submitting the Response and this declaration:

- the information provided is true, accurate and complete and not misleading in any material respect
- the Response does not contain any material that will infringe a third party's intellectual property rights
- I/we have secured all appropriate authorisations to submit this Response, and to make the statements and to provide the information in the Response.

I/we understand that the falsification of information, supplying misleading information or the suppression of material information in this declaration and the Response may result in the Respondent being eliminated from further participation in any procurement process flowing out of the RFI, and may be grounds for termination of any Contract awarded as a result of such a procurement process.

By signing this declaration the signatory below represents, warrants and agrees that they have been authorised by the Respondent to make this declaration on its/their behalf.

Signature:

Full name:

Title/position:

Name of organisation: Kapsch TrafficCom

Date: 12th December 2024

Instructions for Respondents

1. Check that you have all the relevant documents, including:
 - The Request for Information (RFI) which outlines what information is needed.
 - The Response Form (this one) to fill out your response.
 - The RFI-Terms.
2. Before filling out this form, read the RFI carefully, particularly Section 2 (Our Requirements).
3. Please follow the layout of this Response Form:
 - Don't change the section headings and sequence as this needs to be consistent across all Respondents.
 - Insert any extra images or graphs either as part of your answer or in a separate attachment (but make it clear in the Response Form that you have done so).
 - The combined file size including all attachments that can be sent to procurement@transport.govt.nz is 20MB.
4. Everything highlighted in **PURPLE** in this document is information for the Respondent (you). Delete these **PURPLE** parts before sending the Response Form. Everything shaded in **BLUE** is customisable by you. When you have completed these areas please un-shade them.
 - ☐ The purple boxes are Respondent Tips. Delete these after reading.
 - ☐ Write your response in the blue sections. Un-shade the blue once you have filled these out.
5. Remember to make a note of the Deadline for Questions. Feel free to ask us anything if it is unclear.

Checklist for Respondents

Before you submit your Response...		
1.	Fill out all sections of the Response Form.	X
2.	Remove all the purple 'Respondent Tip' boxes from this Form.	X
3.	Delete the PURPLE instructions from this Form.	X
4.	Un-shade the BLUE highlighting where you fill out your answer.	X
5.	Prepare your Response Send a digital copy by email to procurement@transport.govt.nz	X
6.	Arrange for the Response to be submitted electronically before the Deadline for Responses.	X

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ClearRoad, Inc.

Request for Information (RFI) Response Form

Road User Charges – Retail Services

In response to the Request for Information

by: Ministry of Transport

Date of this Response: 12/11/2024

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SECTION 1: About the Respondent

1.1 Our profile

This is a Response by **ClearRoad, Inc.** (the Respondent) to provide information.

Item	Detail
Full legal name:	ClearRoad, Inc.
Trading name (if different):	ClearRoad
Physical address:	99 Wall St. Ste 1518 New York, NY 10005
Postal address:	99 Wall St. Ste 1518 New York, NY 10005
Registered office:	16192 Coastal Hwy Lewes, DE 19958
Business website:	www.clearroad.io
Type of entity (legal status):	Corporation
NZBN number:	N/A
Country of residence:	USA
GST registration number:	Overseas
Consent to follow up (Likely to be in week commencing 16 December)	Yes - Available beginning 16 December

1.2 Our Point of Contact

Item	Detail
Contact person:	s 9(2)(a)
Position:	
Physical location of contact person	Montreal (Canada)

Item	Detail
Phone number:	N/A
Mobile number:	s 9(2)(a)
Email address:	

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SECTION 2: Our Requirements

2.1 Responses

This document should be reviewed alongside the Information Memorandum and the RFI document (see GETS notice for all documents). Please increase the size of the answer box to fit your answers.

About you

To what extent is the provision of RUC retail services (ie. Providing services that support the purchase and management of RUC) something you currently do in New Zealand or another jurisdiction?

What is the scope of your current offering (i.e. types of vehicles, vehicle owners, and services)?

If you currently do not provide RUC retail services but are interested in the opportunity, include any current service offering in a similar sector, your level of experience in delivering that service, and why you are interested in the opportunity to deliver RUC retail services.

ABOUT CLEARROAD

ClearRoad specializes in providing end-to-end solutions for Road User Charging (RUC), with a focus on addressing the unique challenges of a scalable, efficient, and user-friendly implementation. RUC is at the core of ClearRoad's identity and our solutions are purpose-built to support the purchase, management, and administration of RUC programs across jurisdictions.

Our approach is modular and flexible, enabling components to function as part of a fully integrated system or as standalone modules that enhance existing frameworks. This flexibility allows us to tailor our solutions to the specific needs of different regions, partnering with local operators to deliver the greatest value.

ClearRoad's technology-agnostic approach to distance reporting ensures compatibility with a wide range of vehicles and recording methods. This is complemented by robust data handling practices and operational protocols designed to enhance accuracy, minimise fraud and ensure a seamless user experience. By leveraging distance recording technologies already available in vehicles or accessible to drivers, we reduce operational costs while improving user acceptance and promoting program sustainability. Our system supports both automated and manual distance reporting, offering users more options while safeguarding privacy and ensuring compliance.

Being technology-agnostic allows ClearRoad to support all vehicle types and integrate seamlessly with current and future connected vehicle technologies, as well as adjacent industries such as tolling, time-of-use (congestion) charging and other ITS systems. We believe that our open architecture and collaborative approach enhances potential for interoperability and fosters innovation.

Our solutions addresses four key challenges currently faced by RUC: cost-effective distance reporting and operation, scalability to accommodate millions of users, high accuracy and reliability for revenue assurance, and adaptability to support evolving program requirements.

Through years of experience in live RUC programs, extensive pilot projects, and research and development, we have defined best practices, refined our tools, and implemented robust systems. These efforts have ensured that we deliver high-quality solutions and outcomes that meet the needs of both the government and end-users.

OVERVIEW OF SERVICES

ClearRoad's RUC solution offers a comprehensive suite of services to enable full end-to-end RUC implementation including distance reporting, transaction processing, account management and backoffice operations, invoicing, payment collection, data monitoring and reporting, and customer support.

Our modular architecture offers flexible and tailored implementation for diverse program needs. We seamlessly integrate with different third-party providers, existing government systems, and support a variety of distance recording options such as: On-board Devices (OBD), OEM Vehicle Telematics, and our own Smartphone App and Odometer Photo Capture developed by ClearRoad.

Offering different distance recording solutions allows us to give users more options and ensure compatibility across a broad range of vehicle types. Complemented by robust data handling practices, our solution improves accuracy, minimises fraud, and ensures a seamless user experience.

s 9(2)(ba)(i)

Both programs focus on fuel-efficient and zero-emission vehicles.

In these live programs, ClearRoad's distance recording solutions have been rigorously vetted and calibrated for accuracy and reliability. For each recording option, we have developed and implemented protocols to minimise noncompliance and ensure revenue security. Operational practices and system processes, refined through experience, allow us to address high-risk areas effectively.

PILOTS & RELATED EXPERIENCE

Our solutions are designed to integrate seamlessly with adjacent industries such as tolling and ITS, fostering collaboration and delivering cohesive, efficient outcomes. Our pilot projects demonstrate our ability to align with diverse systems and stakeholders.

s 9(2)(ba)(i)

These projects highlight our expansive experience with RUC, our dedication to continuous improvement and research, and our ability to connect and align with diverse systems to deliver cohesive and efficient solutions.

Level of interest in RUC services

What is the nature of the RUC retail service you are interested in offering:

1. Manual RUC management service (but not direct purchase of RUC). This could include a reminder service to purchase RUC and outline or link directly to where RUC can be purchased (online and in physical locations);
2. Manual RUC management service including direct purchase of RUC –as an Agent of NZTA. So that customers are reminded of the need to check and purchase RUC and when new licences are required, they can be purchased (either instore or online);
3. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and providing reminders to purchase RUC licences (but not direct purchase of RUC);
4. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and automatically purchasing RUC directly (as an agent of NZTA);
5. Full eRUC or eaRUC solution as a certified service provider approved by NZTA under the code or a revised version of the code (<https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc-guidelines/docs/ERUC-code-of-practice.pdf>); or
6. Another business model (or hybrid of the approaches outlined above)?

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Commercial proposition

Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities?

As the underlying cost of RUC is fixed, retail service providers will need to make a commercial return on activities other than the sale of underlying RUC. This would mean selling RUC as part of a broader offering, such as:

- fleet management/telematic services
- bundling of utility like payments
- financial services to bundle and smooth payments
- sale of information to advertisers (with the express permission of customers) etc.
- efficiency of service offering enabling margin to be made on the administrative fees charged for RUC purchases

This list is non-exhaustive, and any other commercial propositions you may suggest will be welcome, along with any description of what, if any, changes to existing legislative or administrative provisions would be needed to facilitate this.

Are there minimum scale factors that impact commercial viability? Is there a lead time that needs to be considered? What other factors should we consider regarding commercial viability?

From our experience, RUC retail services can be a standalone business opportunity under specific conditions. The viability depends on the chosen business model, operational efficiencies, and the integration of value-added services. Below we outline three potential models and their commercial considerations.

A. A COMMISSION-BASED MODEL ON RUC SALES

A commission-based model is a straightforward approach that has proven commercially viable in US RUC programs. In these cases, RUC account managers (CAM) are certified and contracted by the government to manage RUC operations but are standalone businesses. CAMs are incentivized on a commission-based model based on user enrolment in the program.

It is an open, but regulated market that encourages competition among CAMs – encouraging service differentiation and innovation to attract and retain users. By aligning incentives with performance, it ensures high-quality service delivery and creates a standalone business opportunity.

B. AS A STANDALONE BUSINESS WITH ADMINISTRATIVE FEES

This model involves charging an administrative fee for managing RUC accounts and providing end-to-end customer support. It allows for a specialised approach, ensuring a seamless experience for users while promoting innovation in RUC-specific services.

However, one potential challenge is competition from subsidized government alternatives which provide RUC services at a lower cost. If NZTA offers such alternatives, it may limit the competitiveness of private RUC providers. Ensuring a level playing field would be critical for commercial success of this model.

C. BUNDLING RUC WITH NON-RUC SERVICES

Another option is to integrate RUC with complementary services such as fleet management, utility payments or telematics. While this approach may offer added value to users, we have not observed significant success globally for the non-commercial vehicle segment, in bundling RUC with other services to offset costs effectively.

In the tolling industry, we see more and more interest to bundle tolling with other services such as parking, gas purchase and more, but have seen limited adoption with marginal volumes. While possible, this model is complex and may require significant market maturity and user education to succeed.

OPERATIONAL EFFICIENCIES

For any of the models above, commercial viability depends on implementing efficient and cost-effective operational design. Below, we recommend some strategies to help achieve this:

- *Low-Cost Distance Recording Solutions:* Leveraging existing and readily available technologies such as vehicle telematics or phone-based reporting reduces infrastructure and device costs for users, improving acceptance and scalability.
- *Digitised Operations:* Automating billing, licensing, and other administrative functions can minimize overhead and accelerate deployment.
- *Reduced Physical Infrastructure:* Avoiding the need for physical locations, physical license displays, or installation services for recording devices reduces operational complexity and costs.

These measures not only enhance profitability but also reduce lead time for rollout and scale, making RUC services more attractive to users and providers alike. In the 'Barriers' section, we highlight some legislative changes that should be considered in order to support RUC retailers in becoming commercially viable.

MINIMUM SCALE CONSIDERATIONS

Clear guidance for minimum scale is challenging without further financial analysis of the retail market. However, programs like Oregon RUC have shown that government support in covering some initial set-up and certification costs can encourage participation from vendors and help achieve scale.

Technology

What role might technology offered by your business play in the future RUC retail market? Does your (current or planned) provision of RUC retail services use technology that you supply to measure and report distance, or support the reporting of distance from existing equipment (e.g. odometers or OEM telematics systems)? If so, can you summarise:

- how the technology works
- what data is collected
- What services you provide with the technology in connection with revenue collection (e.g. distance measurement, tolling, congestion charging, refunds)
- how you ensure the reliability and security of the system
- how revenue security is protected
- how user privacy is protected
- what benefits it offers customers compared to the existing system
- whether the technology is stand-alone or integrated into existing devices (cars or phones)

- whether it requires professional installation (if it is not integrated) and whether it requires any modifications to be fitted for the purpose of providing RUC retail services for light vehicles

Please describe any examples of where and when this technology has been applied in practice for RUC or similar purposes, to generate actual revenue.

ClearRoad's technology can support New Zealand in transforming its RUC retail market by addressing the distinct needs of non-commercial vehicles. By leveraging existing technologies for distance recording, ClearRoad reduces program costs and operational expenses, offering a seamless, user-friendly RUC system for the larger population.

Our modular and open architecture system design allows us to integrate with both existing infrastructure and future transportation needs, offering flexibility for program evolution and enabling more complex road pricing models such as variable location-based pricing.

Drawing from our experience, we have found that in these early stages of RUC adoption and setup, it is crucial to implement systems that avoid locking NZTA into restrictive RUC operations. Instead, these systems should be designed as future-proof solutions capable of adapting to changing transportation trends and program evolution.

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To further ensure resilience, our team has established strict business continuity and disaster recovery protocols. Over time, we have introduced different measures to prevent and address common risks and adapt to unique use cases. Additionally, each distance recording option is equipped with specific security features, such as fraud detection, tamper alerts, unplug event detection, and frequent connection checks, to further enhance system integrity and reliability.

PRIVACY PROTECTION

ClearRoad safeguards user privacy by collecting only the information necessary to meet program requirements, particularly if RUC is offered as a standalone service. Our solution complies with consumer privacy protection laws, such as GDPR and similar frameworks such as OCPA in the US State of Oregon.

We employ data anonymization protocols when sharing information with third parties (e.g. payment platforms, other retailers) and enforce strict data access protocols based on administrative roles. Additionally, we have implemented data purging protocols aligned with program requirements, such as automated removal of trip data and location data after a certain period of time (e.g. RUC program in Oregon), and support full deletion of user data on-demand (right to be forgotten).

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STAND-ALONE OR INTEGRATED TECHNOLOGY

ClearRoad's data processing module is agnostic to distance recording devices. We leverage existing devices and technologies, while adding RUC specific enhancements. We are able to integrate with additional distance recording options and third-party providers if needed to offer

more user choice. With some of our proprietary distance recording options (e.g. odometer photo capture) we are able to operate our system as a standalone.

Our solution can be applied standalone or integrated with a variety of services. The modular design and open architecture is built with the future in mind, allowing smooth integration with existing infrastructure and capable of adapting to evolving transportation trends and program evolution.

PROFESSIONAL INSTALLATIONS OR MODIFICATIONS

All of the distance recording options we currently offer are straightforward and easy for drivers to use or install on their own. They do not require professional installation or modifications, thus reducing operational expenses or additional financial burden to customers. However, some distance recording options are inherently more cost-effective than others: OBD devices are particularly costly to scale as they require the purchase of additional hardware, while utilising smartphones and OEM vehicle telematics are low cost options that are readily widely available.

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Barriers

To inform the policy, legislative and regulatory settings, we are interested in your view about the barriers to you achieving your commercial aspirations as a RUC retail services provider. What legal, administrative or policy setting would need to change or be made easier to enable you to invest in offering RUC retail services?

We have identified two primary barriers that could partially hinder our ability to provide RUC services under the current NZTA RUC program:

1. RESTRICTIONS ON THE DISTANCE RECORDING TECHNOLOGIES

Many sections of Code of practice for electronic road user charges management systems are geared towards the use of an onboard unit provided by ESPs. This approach limits the commercialization of alternative, widely adopted distance recording technologies for light vehicle users, such as smartphone or OEM telematics.

Examples of restrictive provisions include:

- Section 3.4. - "ESPs will need to provide at least three electronic distance recorders of the type and model for which they seek approval." *This requirement implies that the ESP can actually provide some sort of device which would be hard to do if the device is already in the vehicle or if the device is a smartphone.*
- Section 5.2 - "The distance recorded must be derived from at least two independent sources and cross referenced against each other. The sources may include, but are not limited to; wheel revolutions, GNSS and inertia subsystems." *There are some limitations for other distance recording technologies to provide 2 independent sources for each trip. For some of them, odometer readings as a single source should be enough on its own.*
- Section 5.2 - "display the electronic distance licence and distance travelled in accordance with section 19 of the Act and in the form prescribed in Schedule 2 of the Regulations (either as an integrated part of the electronic distance recorder, or on one or more separate electronic display panels)". *This requirement implies that the ESP can customize the device and the display of the information in the vehicle.*
- Section 5.4 - Electronic distance recorders should operate normally in the face of drops, shocks, vibration, humidity, altitude, rain, dust, sand, temperature extremes (-30°C to +80°C) and thermal shock. Testing to SAE J1455 is highly recommended. In cab mounted EDR's should comply with IP code rating IP54, the housing of externally mounted electronic distance recorders should comply with IP66 rating. *This requirement implies that the ESP will provide specific type of after-market telematics devices.*
- ...

The RUC Act defines a 'distance recorder' broadly as "any other kind of distance recorder approved by the RUC collector". However, the definition of an 'electronic distance recorder' is more restrictive referring specifically to "a distance recorder provided by an electronic system provider." (RUC Act 2012, pt 1, s 5, ss 1). This can create and potentially limit leveraging existing recording technologies already built into vehicles or in the hands of the vehicle owner.

COMPARISON WITH OREGON DOT

We encountered a similar situation with one of our clients, Oregon DOT, who initially prescribed only OBUs for distance recording. Over time, Oregon expanded to other distance recording technologies and solutions. Oregon now offers three options for distance recording. This has successfully increased adoption by accommodating a wider range of vehicles and offering user more choices. A similar approach in New Zealand could enhance accessibility and user acceptance.

2. EXPANDING RUC BEYOND THE CURRENT RUC LICENSE MODEL

Ref: RUC Act 2012. pt 2, s 9, ss 3

The RUC Act 2012. pt 2, s 9, ss 3 states that “subsection (1) does not apply if there is evidence that the RUC vehicle is registered under an appropriate alternative payment scheme.”

While this suggests that RUC licenses are not the sole method of payment, greater legislative clarity is needed to explore and implement alternative payment models, such as pre-payment, post-payment pay-as-you-go.

Limiting RUC payments to pre-purchased licenses restricts users’ flexibility and may discourage the adoption of certain distance recording methods.

SPECIFIC LEGISLATIVE CHALLENGES:

The Act provides provisions for alternative payment schemes under specific circumstances:

- o Part 89, Section 1 (i) “prescribing alternative payment schemes for paying road user charges for RUC vehicles issued with an electronic distance recorder, including prescribing different alternative payment schemes for different RUC vehicles”
- o Part 89, Section 1 (j) “specifying forms of evidence of registration under an alternative payment scheme for RUC vehicles fitted with an electronic distance recorder.”

However, these provisions explicitly apply to vehicles fitted with electronic distance recorders as currently defined, potentially excluding newer technologies like OEM telematics and smartphones. Expanding the scope of ‘electronic distance recorders’ to include these technologies would facilitate broader adoption and allow for innovative payment schemes.

s 9(2)(ba)(i)

By addressing these barriers, NZTA can foster a more inclusive, user-friendly, and technologically advanced RUC system that encourages broader participation while benefiting from future technological advancements.

NZTA

NZTA plays an important role in RUC services as the Government's RUC collector.

Under current arrangements NZTA is responsible for:

1. Approving (or declining) any RUC retailer application and appointing and contract managing Agents (some of whom operate under a contract and are paid a commission for RUC sales);
2. Providing RUC retail services to customers directly (through its website and App);
3. Collecting and administering the RUC revenue; and
4. Receiving the statutory fee for RUC transactions.

The Government is keen to ensure NZTA's activities don't crowd out the role of third parties in the provision of RUC services. Are there measures that the Government should take to ensure NZTA's activities enable and encourage other RUC retailers to participate?

We suggest the following considerations for NZTA's current responsibilities and propose additional areas where NZTA can further encourage RUC retailer participation.

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Revenue security

How can the RUC retail market assist with balancing a user-friendly system with ensuring revenue security?

Based on our experience in both RUC and tolling, we have made the following observations:

- Emphasis on user choice. By having a variety of RUC retail options, users have the opportunity to select their providers based on their preferences and specific needs. Users can change providers if they are unsatisfied with a provider's service. Word-of-mouth and vendor ratings can be critical to RUC retailer success. This incentivizes providers to enhance the user experience.
- Create a fair but competitive RUC retail environment. This includes implementing standards and requirements to ensure revenue security and program compliance across all RUC retailers, while leveraging a program model (ex. commission-based, KPIs) that

incentivises providers to improve their offerings and services, differentiate from competition, and innovate different aspects of their product and operations. With some of the business models and standards mentioned in earlier sections of this response, RUC retailers are also incentivized to implement effective RUC revenue collection approaches, diversify payment options and billing methods, while providing friendly customer service and comprehensive terms and conditions.

- Collaborative approach. As a RUC provider, we have worked closely with state governments to suggest programmatic improvements based on actual customer feedback, performance reporting, and on-the-ground experience.
- Best practices. Best practices promoted by NZTA or recommended by the market can provide baseline operational improvements across all RUC retailers.

Alongside some considerations mentioned in other parts of this response, the above are initial suggestions that can assist to balance a user-friendly system with revenue security.

Consumer protection and support

Do you have any initial views on how you might ensure appropriate protection of consumers (e.g. complaints, remedy mechanisms)? Would you offer different payment options to enable consumer flexibility and choice in RUC purchases?

As a third-party RUC service provider, we are committed to ensuring robust consumer protection and support. Drawing from best practices in our global RUC projects, we propose the following measures:

CUSTOMER SERVICE

- Close monitoring of customer service metrics to identify and address areas for improvement;
- Establishing standard operating procedures for complaints management, privacy and data handling, and various use case workflows;
- Collaborating with the NZTA help desks to address consumer concerns and questions efficiently.

TRANSPARENCY AND ACCOUNTABILITY

- Ensuring NZTA reviews and approves our terms and conditions and privacy policies to align with local regulations and standards;
- Maintaining transparency with users by obtaining proper permissions and agreements and agreements and providing clear visibility of terms, conditions and privacy policies.

PAYMENT OPTIONS

- Offering multiple payment options to provide flexibility and choice for consumers, including pre-paid, post-paid, and pay-as-you-go models, along with support for various payment platforms such as credit cards and mobile wallets (e.g., Google Pay, Apple Pay).

These measures will ensure consumers have a reliable, transparent, and user-friendly experience while maintaining compliance with regulatory and privacy standards.

[Optional] Additional information

If there is other material you would like to make us aware of in considering the policy, regulatory and legislative settings to enable greater third-party provision of RUC services, please feel free to include it below. Avoid attaching company brochures and other advertising material. We can only receive 20MB via email.

We have attached with our RFI response a short summary of lessons learned from our experience with the Utah and Oregon live RUC programs. Although both programs do not yet mandate all non-commercial passenger vehicles to be enrolled in RUC, we believe they still provide a wealth of information and lessons that can help inform other RUC program designs. We also provide some insight on the different distance recording options we mention in our response. The attached file is marked as 'commercial in-confidence'

2.2 Assumptions

Assumptions

Please state any assumptions you have made in relation to the Response.

None

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SECTION 3: Respondent's declaration

Topic	Declaration	Respondent's declaration
RFI-Terms:	I/we have read and fully understand this RFI, including the RFI-Terms. I/we confirm that the Respondent agrees to be bound by them.	Agree
Conflict of Interest declaration:	The Respondent warrants that it has no actual, potential or perceived Conflict of Interest in submitting this Response. Where a Conflict of Interest arises during the RFI process the Respondent will report it immediately to the Buyer's Point of Contact.	Agree
Details of conflict of interest:	not applicable	

DECLARATION BY THE RESPONDENT

I/we declare that in submitting the Response and this declaration:

- the information provided is true, accurate and complete and not misleading in any material respect
- the Response does not contain any material that will infringe a third party's intellectual property rights
- I/we have secured all appropriate authorisations to submit this Response, and to make the statements and to provide the information in the Response.

I/we understand that the falsification of information, supplying misleading information or the suppression of material information in this declaration and the Response may result in the Respondent being eliminated from further participation in any procurement process flowing out of the RFI, and may be grounds for termination of any Contract awarded as a result of such a procurement process.

By signing this declaration the signatory below represents, warrants and agrees that they have been authorised by the Respondent to make this declaration on its/their behalf.

Signature:

s 9(2)(a)

Full name: s 9(2)(a)

Title/position: s 9(2)(a)

Name of organisation: ClearRoad, Inc.

Date: 12/11/2024

Instructions for Respondents

1. Check that you have all the relevant documents, including:
 - The Request for Information (RFI) which outlines what information is needed.
 - The Response Form (this one) to fill out your response.
 - The RFI-Terms.
2. Before filling out this form, read the RFI carefully, particularly Section 2 (Our Requirements).
3. Please follow the layout of this Response Form:
 - Don't change the section headings and sequence as this needs to be consistent across all Respondents.
 - Insert any extra images or graphs either as part of your answer or in a separate attachment (but make it clear in the Response Form that you have done so).
 - The combined file size including all attachments that can be sent to procurement@transport.govt.nz is 20MB.
4. Everything highlighted in **PURPLE** in this document is information for the Respondent (you). Delete these **PURPLE** parts before sending the Response Form. Everything shaded in **BLUE** is customisable by you. When you have completed these areas please un-shade them.
 - ☐ The purple boxes are Respondent Tips. Delete these after reading.
 - ☐ Write your response in the blue sections. Un-shade the blue once you have filled these out.
5. Remember to make a note of the Deadline for Questions. Feel free to ask us anything if it is unclear.

Checklist for Respondents

Before you submit your Response...

- | | |
|--|-------------------------------------|
| 1. Fill out all sections of the Response Form. | ☒ |
| 2. Remove all the purple 'Respondent Tip' boxes from this Form. | ☒ |
| 3. Delete the PURPLE instructions from this Form. | ☒ |
| 4. Un-shade the BLUE highlighting where you fill out your answer. | ☒ |
| 5. Prepare your Response
Send a digital copy by email to procurement@transport.govt.nz | ☒ |
| 6. Arrange for the Response to be submitted electronically before the Deadline for Responses. | ☒ |

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Fast NZ Limited

Request for Information (RFI) Response Form

Road User Charges – Retail Services

In response to the Request for Information
by: Ministry of Transport

Date of this Response: December 12, 2024

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SECTION 1: About the Respondent

1.1 Our profile

This is a Response by **Fast NZ Limited** (the Respondent) to provide information.

Item	Detail
Full legal name:	Fast NZ Limited
Trading name (if different):	Fast Enterprises/Fast NZ
Physical address:	C/-21 Richmond Hill, Glenside, Wellington, 6037, New Zealand
Postal address:	C/-21 Richmond Hill, Glenside, Wellington, 6037, New Zealand
Registered office:	C/-21 Richmond Hill, Glenside, Wellington, 6037, New Zealand
Business website:	www.fastenterprises.com
Type of entity (legal status):	NZ Unlimited Company
NZBN number:	5724589
Country of residence:	New Zealand
GST registration number:	117-068-129
Consent to follow up (Likely to be in week commencing 16 December)	Yes. We expect any follow up would happen in the week beginning 16 December. Confirm your availability in week beginning 16 December: Yes

1.2 Our Point of Contact

Item	Detail
Contact person:	s 9(2)(a)
Position:	
Physical location of contact person	
Phone number:	
Mobile number:	
Email address:	

SECTION 2: Our Requirements

2.1 Responses

This document should be reviewed alongside the Information Memorandum and the RFI document (see GETS notice for all documents). Please increase the size of the answer box to fit your answers.

About you

To what extent is the provision of RUC retail services (ie. Providing services that support the purchase and management of RUC) something you currently do in New Zealand or another jurisdiction?

What is the scope of your current offering (i.e. types of vehicles, vehicle owners, and services)?

If you currently do not provide RUC retail services but are interested in the opportunity, include any current service offering in a similar sector, your level of experience in delivering that service, and why you are interested in the opportunity to deliver RUC retail services.

Fast Enterprises (FAST) develops and implements enterprise software that serves as the single solution and system of record for the administration of government programmes. Our FastCore™ government software platform, the foundation for our line of programme-specific software solutions, is in production for the administration of thousands of programmes, services, and schemes managed by over 100 agencies worldwide. These agencies include New Zealand Inland Revenue Department, which implemented our FastCore software as the basis for its Business Transformation Programme, the largest and most complex system-modernization project in the agency's history.

FastCore is also in production (or is being implemented) for the administration of vehicle and driver programmes and schemes for 24 U.S. state motor vehicle agencies. These motor vehicle agencies use their modern FastCore solutions as the system of record for administering vehicle services (through use of our FastVS software solution), driver services (with our FastDS solution), or as a single and seamlessly integrated system for both driver and vehicle services (with our FastDS-VS solution).

The 21 U.S. state agencies that use FastCore for the administration of vehicle programmes and schemes manage many of the same functions and services as NZ Transport Agency Waka Kotahi (NZTA), including vehicle registration, licensing, certification, plating, and additional compliance, safety, and enforcement regulations and fees for light and heavy vehicles and vessels. Agencies that represent 19 U.S. states and three Canadian provinces also use FastCore for administering their International Fuel Tax Agreement (IFTA) schemes. IFTA simplifies interstate motor carriers' reporting of fuel-use taxes, allowing them to establish and maintain a single fuel tax license for multiple vehicles and file a single consolidated fuel tax return in their base jurisdiction. Like New Zealand's Road User Charges (RUC) scheme, IFTA involves vehicle mileage tracking. Carriers monitor and record the distance traveled by their vehicles across jurisdictions and report these distances as part of their quarterly tax returns. FastCore's built-in interface integration layer, which enables data exchange with external systems and eliminates need for middleware, also allows U.S. state agencies to obtain commercial vehicle mileage and safety information from federal agencies, like the U.S. Federal Motor Carrier Safety Administration.

Our FastCore solution for vehicle services administration, FastVS, was designed specifically for transport agencies. Its flexible baseline features and functions for vehicle services, which are operable

upon installation, can be rapidly configured to provide complete functionality for agency-specific programmes and schemes, like vehicle registration, licensing, permitting, inspections, certifications, and RUC. With FastCore as an agency's centralized solution, system transactions and updates to vehicle and customer information are applied immediately across all agency programmes and schemes. This accurate, real-time vehicle and customer information supports staff in efficiently and effectively conducting tasks and services throughout all agency business areas, provides law enforcement personnel with certainty in compliance and enforcement actions, and presents customers with clear and current information for complying with their vehicle regulations and financial obligations.

In addition to features and functions designed specifically for the administration of vehicle services, schemes, and programmes, FastVS also contains FastCore functionality that is built into all our software solutions. This includes the same FastCore financial engine used by Inland Revenue to successfully process over \$115 billion in 2023-24 tax and revenue, as well as additional built-in components and capabilities for business rules, reporting, workflow, task management, online self-services, billing, payments, and more. This fully featured functionality provides agency users, partners, and customers with a consistent and comprehensive user experience across all agency services and schemes. It also significantly reduces an agency's IT footprint and associated maintenance and support burden by eliminating need for the complex mix of third-party applications, point solutions, plugins, and other ancillary systems and licensing agreements required by alternative systems.

While FastVS contains complete functionality for serving as the single solution for all agency services and schemes, like RUC, its built-in enterprise service bus and interface management functions also enable agencies to easily exchange data with external technologies and retail services. With FastVS as NZTA's system of record, the agency can process real-time customer and vehicle information through multiple retail service channels, both with FastCore's built-in web portal features and through interface with virtually any external third-party retail service and technology that helps customers purchase, measure, or manage their RUC. This approach provides the agency with a single source of truth for all vehicle and scheme information without restricting the agency or customers to select technologies and retail service channels. To expedite interface development, authorized interface partners and external retail service providers can access published interface definitions and documentation within FastVS to establish, test, deploy, and manage their Application Programming Interface (API) connections with the solution.

Level of interest in RUC services

What is the nature of the RUC retail service you are interested in offering:

- 1. Manual RUC management service (but not direct purchase of RUC). This could include a reminder service to purchase RUC and outline or link directly to where RUC can be purchased (online and in physical locations);**
- 2. Manual RUC management service including direct purchase of RUC –as an Agent of NZTA. So that customers are reminded of the need to check and purchase RUC and when new licences are required, they can be purchased (either instore or online);**
- 3. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and providing reminders to purchase RUC licences (but not direct purchase of RUC);**
- 4. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and automatically purchasing RUC directly (as an agent of NZTA);**
- 5. Full eRUC or eaRUC solution as a certified service provider approved by NZTA under the code or a revised version of the code**
<https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc->

6. Another business model (or hybrid of the approaches outlined above)?

Our business model is based on the implementation of FastVS—our prebuilt and production-proven solution designed specifically for transport agencies—as NZTA’s single and modern system of record for RUC and other agency programmes and schemes. While FastVS can be used solely for RUC scheme administration, combining RUC with vehicle registration in the same modern system provides your agency and interface partners with a single source of truth that eliminates need for the multiple interfaces (and third-party applications) in use today. In addition, FastVS can be fully implemented as the system of record for complete vehicle programme and scheme administration in just 18 months. This 18-month schedule has been successfully achieved on every one of our FastVS system-modernization projects for 21 U.S. state transport/motor vehicle agencies.

FastVS enables a more effective foundation for RUC that simplifies and streamlines interfaces with, and acceptance of, a wide variety of retail services, electronic distance recorder (EDR) solutions, and additional private-sector technologies. As the single and centralized source for vehicle and customer information, FastVS will enable options for expanding services beyond on-demand RUC retail services. For example, data exchange between FastVS and electronic distance recorder (EDR) solutions can enable service providers to offer customers the convenience of automated monthly RUC billing. As the single source of truth, FastVS also provides law enforcement with consolidated and accurate real-time information during traffic stops and roadside inspections.

Commercial proposition

Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities?

As the underlying cost of RUC is fixed, retail service providers will need to make a commercial return on activities other than the sale of underlying RUC. This would mean selling RUC as part of a broader offering, such as:

- fleet management/telematic services
- bundling of utility like payments
- financial services to bundle and smooth payments
- sale of information to advertisers (with the express permission of customers) etc.
- efficiency of service offering enabling margin to be made on the administrative fees charged for RUC purchases

This list is non-exhaustive, and any other commercial propositions you may suggest will be welcome, along with any description of what, if any, changes to existing legislative or administrative provisions would be needed to facilitate this.

Are there minimum scale factors that impact commercial viability? Is there a lead time that needs to be considered? What other factors should we consider regarding commercial viability?

Use of FastVS as NZTA’s modern system of record will provide a flexible foundation for RUC, and other agency services and schemes, that enables a broad and diverse range of retail services, commercial solutions, and additional offerings and options. As the agency’s single source of truth and centralized system for all financial functions, FastVS will allow service providers to offer their agency-approved services and solutions through a single interface for exchanging real-time customer and vehicle information with the system. FastVS’ built-in enterprise service bus and interface-management

functions provide robust API management and services that simplify, streamline, and expedite the development of interfaces for integration with third-party services and solutions, without the cost, complexity, risk, and overhead of third-party middleware.

FastVS has built-in functionality for managing and maintaining all interfaces, including modern, real-time, web-service interfaces, like Representational State Transfer (REST) web services with JavaScript Object Notation (JSON) payloads, as well as batch interfaces and file transmissions from older systems and communication protocols. Agencies can also provide external interface partners and third-parties with access to FastVS' API developer portal, which is in production for Inland Revenue. The portal supports third-party retail service and solution providers in streamlining and expediting their development, testing, and deployment of interfaces for data transfer with FastVS. Some of the portal's primary features include:

- An API catalogue and online development documentation.
- Functions for web-services development and testing.
- Tracking for required testing scenarios, including completion of agency-required authorization steps.
- Approval and certification functionality for specific approval of interface-partner APIs, as well as IP address whitelisting.
- Self-service API credential maintenance (certificates, API keys, username/password).
- Open API (Swagger) support.
- Cross-Origin Resource Sharing (CORS) support, for integration with front-end java-script clients (such as cell phones, web browsers, and tablets).

Technology

What role might technology offered by your business play in the future RUC retail market? Does your (current or planned) provision of RUC retail services use technology that you supply to measure and report distance, or support the reporting of distance from existing equipment (e.g. odometers or OEM telematics systems)? If so, can you summarise:

- how the technology works
- what data is collected
- What services you provide with the technology in connection with revenue collection (e.g. distance measurement, tolling, congestion charging, refunds)
- how you ensure the reliability and security of the system
- how revenue security is protected
- how user privacy is protected
- what benefits it offers customers compared to the existing system
- whether the technology is stand-alone or integrated into existing devices (cars or phones)
- whether it requires professional installation (if it is not integrated) and whether it requires any modifications to be fitted for the purpose of providing RUC retail services for light vehicles

Please describe any examples of where and when this technology has been applied in practice for RUC or similar purposes, to generate actual revenue.

FastVS operates as a single solution and touch point that enables service providers to offer customers the convenience of fully automated set-it-and-forget-it services for paying charges for RUC, vehicle registration, tolls, and other charges through a direct debit/credit model and associated customer

payment agreements. It also expedites customer interactions and transactions by requiring minimal customer-identifiable information for accurately calculating charges, generating one-time fees, and providing routine consolidated billing for RUC and other charges, like toll fees. As the system of record for all agency programme and scheme information, FastVS automates the association of verified customer information with applicable vehicle information (like vehicle type, weight, and VIN) within the solution. As a single source of real-time vehicle and customer account information that can provide system access to a variety of authorized service and solution providers, FastVS promotes a diverse mix of customer-based services and technical solutions. In the United States, for example, third-party businesses are frequently used to manage vehicle registration and regulatory compliance on behalf of companies that operate vehicle fleets.

FastVS' built-in financial functions automatically calculate charges for customers (or transmit charge information to third-party retail services and solutions) and provide complete functionality for associated billing, correspondence, payment receipt processing, refunds, collections, and account reconciliation functions. Like all system events, financial transactions are applied immediately to customer accounts and vehicle information, providing real-time updates across all applicable agency services and schemes. Use of FastVS financial functions for all agency services and schemes provides a consistent and unified framework for calculating and generating fees, automating bill statements, processing payment receipts, issuing refunds, conducting agencywide accounting, and providing scheduled and on-demand financial reporting.

Inland Revenue's FastCore system of record provides similar financial functions and real-time information updates for the agency's multiple tax, revenue, and social services schemes. It provides customers with a summary of important information, including compliance and financial obligations, and generates statements of consolidated bill items for all applicable tax, revenue, and social schemes. FastVS can provide the same functionality for NZTA, enabling consolidation and true integration of all agency schemes for RUC, vehicle licensing and registration, and, potentially, other services for road toll fees, vehicle certifications, and more. Use of FastVS financial functions for all agency services and schemes will provide a consistent and unified framework for calculating and generating fees, automating bill statements, processing payment receipts, issuing refunds, conducting agencywide accounting, and providing scheduled and on-demand financial reporting.

Role-based security tools and functions built into FastVS provide system and security administrators with built-in functionality for defining application security controls, maintaining security groups, designating and protecting customer and financial data, managing and recording user access and activities, and performing many other security-related activities. FastVS also contains built-in security and privacy controls for protecting the confidentiality, integrity, and availability of sensitive information and data. It encrypts all data at rest and in motion, enables masking/tokenization of sensitive information, and has robust security, data management, and privacy safeguards based on security best practices and controls that comply with multiple compliance regimes.

Barriers

To inform the policy, legislative and regulatory settings, we are interested in your view about the barriers to you achieving your commercial aspirations as a RUC retail services provider. What legal, administrative or policy setting would need to change or be made easier to enable you to invest in offering RUC retail services?

While implementation of the FastCore-based FastVS solution as NZTA's modernized system of record would not require major legal, administrative, or policy changes, it would entail a larger project undertaking that involves some business-process-reengineering activities. These activities, including

organizational change management, would enable the agency to take full advantage of streamlined business processes made available by the solution's seamlessly integrated functionality, system automation, modern user interface, online customer self-service channels, and prevailing business and technical best practices.

Although implementation of FastVS should not require significant policy changes, FastVS supports efficient and effective policy agility through its configurable architecture and built-in business-rules engine. Its flexible configuration allows agencies to respond quickly to changes resulting from new legislation, policy adjustments, operational improvements, new functionality, and other factors. FastVS also provides full functionality for the lifecycle management of business rules, from rules creation and simulation to testing, deployment, and retirement. The FastVS business-rules engine supports the rapid implementation of most changes and configurations, without need for reprogramming, code modification, or complicated adjustments. Workflow, task management business processes, financial calculations, searches, screen navigation, forms, correspondence, Help content, security settings, and online portal functionality are just a few examples of the FastVS features and functions that can be implemented, modified, and maintained through configuration.

NZTA

NZTA plays an important role in RUC services as the Government's RUC collector.

Under current arrangements NZTA is responsible for:

- 1. Approving (or declining) any RUC retailer application and appointing and contract managing Agents (some of whom operate under a contract and are paid a commission for RUC sales);**
- 2. Providing RUC retail services to customers directly (through its website and App);**
- 3. Collecting and administering the RUC revenue; and**
- 4. Receiving the statutory fee for RUC transactions.**

The Government is keen to ensure NZTA's activities don't crowd out the role of third parties in the provision of RUC services. Are there measures that the Government should take to ensure NZTA's activities enable and encourage other RUC retailers to participate?

Rather than crowding out third parties, we believe that the ease of access to a single system of record for RUC and other NZTA schemes will increase third-party participation by simplifying means to provide, maintain, and expand retail services and solutions. FastVS eliminates many of the technical roadblocks that third-party providers and solutions can experience when required to interface with a complex mix of agency systems and technology touchpoints. With single-interface access to accurate, real-time information for all customer and vehicle information, service and solution providers can focus more on providing convenience and value to customers and less on technical integration issues. Inland Revenue has achieved full integration with hundreds of accounting and payroll software providers that directly integrate into the agency's FastCore platform for the purposes of reporting tax, payroll, and social policy information.

In addition, since FastVS provides full functionality for administering virtually all aspects of vehicle programmes and schemes, like RUC, authorized retail service and solution providers can rely on the system to provide accurate real-time information, calculate all applicable fees, and manage financials and accounting, including billing and payment details. For example, providers of technology solutions, like EDRs, can interface with FastVS to offer integrated and convenient RUC payment options to their customers. Service providers can similarly interface with FastVS to obtain RUC billing information for inclusion in routine billing statements.

Revenue security

How can the RUC retail market assist with balancing a user-friendly system with ensuring revenue security?

Although pre-payment of RUC largely guarantees revenue security, a modern system that can manage real-time accounting of RUC usage, conduct automated scheduled billing, and accept multiple forms of payments can increase acceptance by consumers and offer them greater convenience without significantly impacting revenue. Use-based payments for RUC can also provide a more equitable system by not requiring users to pre-pay government charges before they are consumed.

In addition, monthly billing of RUC can incentivise vehicle owners to embrace modern solutions that automate distance reporting. While consumers who don't want to use EDRs or GPS-based solutions can continue to pre-pay RUC through retail services, vehicle owners who opt-in to the use of electronic solutions for recording and reporting distance would be eligible for pay-as-you-go billing. These owners would remain eligible as long as their real-time reporting and autopay source stays active. NZTA could also offer reduced rates or fees to further incentivise vehicle owners who embrace automated electronic reporting. Although dynamic fee structures can be difficult to manage across multiple systems, use of FastVS as NZTA's single and fully featured system of record for all programmes and schemes will allow your agency to easily set up and change fee-based business rules.

For consumers who do not want to change their current third-party RUC purchasing provider, the FASTVS solution can still maintain interfaces to the e-RUC providers so that there is no interruption of RUC revenue via purchasing from existing users that do not want to migrate to one of the new alternative billing models.

Consumer protection and support

Do you have any initial views on how you might ensure appropriate protection of consumers (e.g. complaints, remedy mechanisms)? Would you offer different payment options to enable consumer flexibility and choice in RUC purchases?

FastVS' comprehensive features and functions enable agencies to provide consumers with multiple options for accessing modern services, support, and remedies for RUC purchases and compliance. We have found that compliance increases, and complaints are reduced, when consumers can choose the service channels and payment options that best meet their needs for complying with vehicle schemes, like RUC. In addition to providing consumers with online customer self-service features and payment options, FastVS also supports ease of interface with retail service providers, EDRs, and other RUC-related solutions.

Beyond traditional phone calls, mailed correspondence, and in-person visits, FastVS allows agencies to offer consumers multiple modern communication channels for addressing and resolving complaints and issues. The solution has built-in functionality for live and automated chat sessions, online intake forms for customer complaints and appeals, secure webmail within customers' online accounts, and additional electronic communication features. FastVS can use these channels to provide customers with status updates, activity reminders, submission confirmations, and other pertinent information. FastVS also supports full integration with agency interactive voice response (IVR) systems, as well as virtual communication platforms, like Zoom and Microsoft Teams, for conducting virtual meetings with customers and their representatives.

To support efficient and effective customer service and issue resolution, FastVS' Call Center functionality provides agency users with centralized access to all current and historical customer

communications. From a single screen within FastVS, agency users have access to customer information from a variety of communication channels, including transcribed phone calls, e-mail and web messages, chat sessions, and other communication channels. This centralized access to all customer communications, coupled with workflow and task management functions used for tracking and managing customer issues and complaints, supports increased agency effectiveness in quickly remedying customer issues and complaints. The ability to track customer calls, emails, chat logs, and other communication channels is integrated into the customer record in FAST. This means when someone calls to get clarification on their account, dispute charges, or file a complaint against an e-RUC vendor, the NZTA call centre can quickly access customer and vehicle records to see previous information recorded on the account. This expedites problem resolution and can be configured to support consumer protection laws in each individual jurisdiction.

FastVS supports traditional and electronic payment methods and can accept virtually any form of payment accepted by an agency. It integrates with third-party payment hardware and systems to support multiple payment types, including debit and credit cards, electronic funds transfer (EFT), cash, paper and electronic checks, and digital payment options, like ApplePay, PayPal, Venmo, and GooglePay. For security purposes, our FastCore solutions, including FastVS, do not store or directly process any credit card or debit card information. Rather, FastVS integrates with third-party PCI-DSS payment-processing systems for behind-the-scenes payment processing. FastVS then processes the resulting payment transaction receipts and applies real-time updates to financials and customer accounts. FAST has successfully integrated with multiple New Zealand providers of PCI-DSS payment processing, including WorldLine and Windcave.

[Optional] Additional information

If there is other material you would like to make us aware of in considering the policy, regulatory and legislative settings to enable greater third-party provision of RUC services, please feel free to include it below. Avoid attaching company brochures and other advertising material. We can only receive 20MB via email.

A myth perpetuated by many system integration and technology consultants is that government system modernization can only be achieved through projects in which select functionality is implemented in individual point solutions in multiple stages that are gradually undertaken. These small, individual solutions are then interconnected, like Lego blocks, to form a larger system based on a patchwork of function-based solutions. While this sounds like a safe, low-risk approach for delivery enterprise-level government systems, it rarely works. There are countless examples of government system-modernization projects in which agencies work with vendors to execute the first few stages of these types of systems. It is nearly impossible to find examples of these projects completing later stages successfully, because they typically don't make it that far. The complexity of integrating, deploying, managing, and upgrading a patchwork of disparate applications and general-purpose point solutions for enterprise-level government programme administration is simply too daunting.

The reality is that only major, substantive change can happen between government agencies when a fully featured and built-for-purpose solution for government is implemented by a competent vendor. This is why we recommend use of our FastVS solution not just for the administration of RUC, but for all NZTA programmes and schemes that support vehicle registration and tracking. The proof that this work can be completed successfully—and will make a significant and positive impact for New Zealand's citizens—can be seen in the FastCore system-modernization project that we successfully completed for Inland Revenue. This system-modernization project involved much more than just the implementation of one or two tax types in FastCore—dozens of tax, revenue, and social programmes were modernized through implementation into our single FastCore solution and system of record, on time and on budget.

The advantage of doing full system replacement, rather than piecemeal function-based projects, is that it eliminates the large amount of technical debt that agencies acquire through decades of use of multiple applications and solutions. Agencies often feel their hands are tied because so many interdependencies exist between the many one-off systems required by their technical environment, and they are not sure which system to fix first. We often find that many of an agency's legacy systems were used as a quick fix for addressing problems or shortcomings resulting from other parts of the system. By implementing our single and proven platform designed exclusively for government programme administration, we have eliminated massive amounts of agency technical debt by decommissioning dozens, and even hundreds, of legacy subsystems. The result is a single and fully modernized system that can be supported by a single team of IT personnel that use built-in tools for successful production operation and ongoing improvement and enhancement.

2.2 Assumptions

Assumptions

Please state any assumptions you have made in relation to the Response.

We have made no assumptions related to the information provided in this response.

SECTION 3: Respondent's declaration

Topic	Declaration	Respondent's declaration
RFI-Terms:	I/we have read and fully understand this RFI, including the RFI-Terms. I/we confirm that the Respondent agrees to be bound by them.	Agree
Conflict of Interest declaration:	The Respondent warrants that it has no actual, potential or perceived Conflict of Interest in submitting this Response. Where a Conflict of Interest arises during the RFI process the Respondent will report it immediately to the Buyer's Point of Contact.	Agree
Details of conflict of interest:		Not applicable

DECLARATION BY THE RESPONDENT

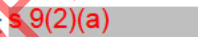
I/we declare that in submitting the Response and this declaration:

- the information provided is true, accurate and complete and not misleading in any material respect
- the Response does not contain any material that will infringe a third party's intellectual property rights
- I/we have secured all appropriate authorisations to submit this Response, and to make the statements and to provide the information in the Response.

I/we understand that the falsification of information, supplying misleading information or the suppression of material information in this declaration and the Response may result in the Respondent being eliminated from further participation in any procurement process flowing out of the RFI, and may be grounds for termination of any Contract awarded as a result of such a procurement process.

By signing this declaration the signatory below represents, warrants and agrees that they have been authorised by the Respondent to make this declaration on its/their behalf.

Signature: 

Full name: 

Title/position: 

Name of organisation: Fast Enterprises

Date: December 12, 2024

Instructions for Respondents

1. Check that you have all the relevant documents, including:
 - The Request for Information (RFI) which outlines what information is needed.
 - The Response Form (this one) to fill out your response.
 - The RFI-Terms.
2. Before filling out this form, read the RFI carefully, particularly Section 2 (Our Requirements).
3. Please follow the layout of this Response Form:
 - Don't change the section headings and sequence as this needs to be consistent across all Respondents.
 - Insert any extra images or graphs either as part of your answer or in a separate attachment (but make it clear in the Response Form that you have done so).
 - The combined file size including all attachments that can be sent to procurement@transport.govt.nz is 20MB.
4. Everything highlighted in **PURPLE** in this document is information for the Respondent (you). Delete these **PURPLE** parts before sending the Response Form. Everything shaded in **BLUE** is customisable by you. When you have completed these areas please un-shade them.
 - ☐ The purple boxes are Respondent Tips. Delete these after reading.
 - ☐ Write your response in the blue sections. Un-shade the blue once you have filled these out.
5. Remember to make a note of the Deadline for Questions. Feel free to ask us anything if it is unclear.

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Checklist for Respondents

Before you submit your Response...

- | | |
|--|--------------------------|
| 1. Fill out all sections of the Response Form. | ☐ |
| 2. Remove all the purple 'Respondent Tip' boxes from this Form. | ☐ |
| 3. Delete the PURPLE instructions from this Form. | ☐ |
| 4. Un-shade the BLUE highlighting where you fill out your answer. | ☐ |
| 5. Prepare your Response
Send a digital copy by email to procurement@transport.govt.nz | ☐ |
| 6. Arrange for the Response to be submitted electronically before the Deadline for Responses. | ☐ |

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Kora New Zealand Limited

Request for Information (RFI) Response Form

Road User Charges – Retail Services

In response to the Request for Information
by: Ministry of Transport

Date of this Response: 12 December 2024

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SECTION 1: About the Respondent

1.1 Our profile

This is a Response by Kora New Zealand Limited (the Respondent) to provide information.

Item	Detail
Full legal name:	Kora New Zealand Limited
Trading name (if different):	Kora Fuel Cards
Physical address:	118 Carbine Road, Mt Wellington Auckland 1060
Postal address:	P O Box 51542 Pakuranga Auckland 2140
Registered office:	15 Ellis Street, Frankton, Hamilton
Business website:	www.kora.co.nz
Type of entity (legal status):	Limited liability company
NZBN number:	9429048871716
Country of residence:	NZ
GST registration number:	133-218-440
Consent to follow up (Likely to be in week commencing 16 December)	Yes

1.2 Our Point of Contact

Item	Detail
Contact person:	s 9(2)(a)
Position:	
Physical location of contact person	118 Carbine Road, Mt Wellington, Auckland
Phone number:	0800 567 269
Mobile number:	s 9(2)(a)
Email address:	

SECTION 2: Our Requirements

2.1 Responses

This document should be reviewed alongside the Information Memorandum and the RFI document (see GETS notice for all documents). Please increase the size of the answer box to fit your answers.

About you

To what extent is the provision of RUC retail services (ie. Providing services that support the purchase and management of RUC) something you currently do in New Zealand or another jurisdiction?

What is the scope of your current offering (i.e. types of vehicles, vehicle owners, and services)?

If you currently do not provide RUC retail services but are interested in the opportunity, include any current service offering in a similar sector, your level of experience in delivering that service, and why you are interested in the opportunity to deliver RUC retail services.

We currently deliver aggregated fuel card services to our 13,500 customers. Our value proposition is about making it easy for people to save money on fuel by purchasing fuel on account – like a utility bill – for fuel. 85% of our customers are individuals. We see we are uniquely positioned to offer additional services such as a RUC to our customers as we can offer the convenience of 1 invoice for managing their vehicle everyday costs. From a technology standpoint we are well versed in API connectivity for being able to manage the services we offer. From a capability standpoint, we our team have been invoiced in fuel cards for over 10 years, and some staff have also worked in vehicle leasing before now and have experience with RUC and Rego issuance.

Level of interest in RUC services

What is the nature of the RUC retail service you are interested in offering:

1. Manual RUC management service (but not direct purchase of RUC). This could include a reminder service to purchase RUC and outline or link directly to where RUC can be purchased (online and in physical locations);
2. Manual RUC management service including direct purchase of RUC –as an Agent of NZTA. So that customers are reminded of the need to check and purchase RUC and when new licences are required, they can be purchased (either instore or online);
3. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and providing reminders to purchase RUC licences (but not direct purchase of RUC);
4. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and automatically purchasing RUC directly (as an agent of NZTA);
5. Full eRUC or eaRUC solution as a certified service provider approved by NZTA under the code or a revised version of the code (<https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc-guidelines/docs/ERUC-code-of-practice.pdf>); or
6. Another business model (or hybrid of the approaches outlined above)?

Commercial proposition

Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities?

As the underlying cost of RUC is fixed, retail service providers will need to make a commercial return on activities other than the sale of underlying RUC. This would mean selling RUC as part of a broader offering, such as:

- fleet management/telematic services
- bundling of utility like payments
- financial services to bundle and smooth payments
- sale of information to advertisers (with the express permission of customers) etc.
- efficiency of service offering enabling margin to be made on the administrative fees charged for RUC purchases

This list is non-exhaustive, and any other commercial propositions you may suggest will be welcome, along with any description of what, if any, changes to existing legislative or administrative provisions would be needed to facilitate this.

Are there minimum scale factors that impact commercial viability? Is there a lead time that needs to be considered? What other factors should we consider regarding commercial viability?

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We do not see a commercially viable business for solely RUC unless they become the one stop shop for RUC only. It feels like a service that can dovetail nicely off existing services.

We are a fuel card vendor offering fuel purchases on account – much like a utility bill, but for fuel – so we see RUC purchases as a natural extension of our fuelling service. We would only offer RUC purchasing to our existing customer base – access to RUC purchases would become an add value feature.

There has to be a minimum value of return for anyone providing this service for the admin required. Whilst we envisage the process of buying RUC to be via an online service – administration is still required in the event of an error or for someone fraudulently charging RUC to an account that is not theirs - for us to manage non-payment by our customer is also an admin consideration.

Commercially – the purchase of the RUC needs to be instantaneous and immediately available for any person investigating RUC validity to see via a portal that indeed RUC is paid even if the label is out of date. And any labelling requirements need to be considered. If the delivery of a RUC label is to be via post – the costs associated with post need to be added to the cost of the RUC label as these costs continue to rise. Ongoing RUC purchases will not necessarily co-incide with an service that provides an economy of scale of the postage of the label.

In an ideal world – a RUC should be attached/linked to a vehicle rego and it should be managed electronically so that labels are not required. You can set similar limitations to registration issuing – where no valid RUC no Rego – just like no valid WOF no rego. If you remove the need to display RUC via a label you will inevitably save consumers on costs which can only be a good thing.

Technology

What role might technology offered by your business play in the future RUC retail market? Does your (current or planned) provision of RUC retail services use technology that you supply to measure and report distance, or support the reporting of distance from existing equipment (e.g. odometers or OEM telematics systems)? If so, can you summarise:

- how the technology works
- what data is collected
- What services you provide with the technology in connection with revenue collection (e.g. distance measurement, tolling, congestion charging, refunds)
- how you ensure the reliability and security of the system
- how revenue security is protected
- how user privacy is protected
- what benefits it offers customers compared to the existing system
- whether the technology is stand-alone or integrated into existing devices (cars or phones)
- whether it requires professional installation (if it is not integrated) and whether it requires any modifications to be fitted for the purpose of providing RUC retail services for light vehicles

Please describe any examples of where and when this technology has been applied in practice for RUC or similar purposes, to generate actual revenue.

Our technology solution will not relate to telematics and vehicle tracking – we will focus on manual RUC purchase on account via an online process. There will be secure login and identity verification to allow for a purchase to occur. It will be a convenient, self service 24/7 user friendly experience for our customers.

Barriers

To inform the policy, legislative and regulatory settings, we are interested in your view about the barriers to you achieving your commercial aspirations as a RUC retail services provider. What legal, administrative or policy setting would need to change or be made easier to enable you to invest in offering RUC retail services?

The barriers we see are ease of use of API access to enable the manual RUC purchase process, and how easily we can integrate the service and effectively be “accredited” to provide the service. If you have hundreds of new operators, then this process could be cumbersome if under resourced. We would expect an audit process to ensure integrity is being maintained around the process but again the complexity of this may put undue pressure and cost on the provider. We would also see commercials around the payment of the RUC to NZTA as very important as it would need to align with the income stream from our customers so that the debt is not being carried by us.

NZTA

NZTA plays an important role in RUC services as the Government’s RUC collector.

Under current arrangements NZTA is responsible for:

1. Approving (or declining) any RUC retailer application and appointing and contract managing Agents (some of whom operate under a contract and are paid a commission for RUC sales);
2. Providing RUC retail services to customers directly (through its website and App);
3. Collecting and administering the RUC revenue; and
4. Receiving the statutory fee for RUC transactions.

The Government is keen to ensure NZTA’s activities don’t crowd out the role of third parties in the provision of RUC services. Are there measures that the Government should take to ensure NZTA’s activities enable and encourage other RUC retailers to participate?

RUC retailers will participate if there is an opportunity to receive fair compensation for the work associated with providing the RUC service. Keep a level playing field and KPI's that relevant to all Third Parties as well as NZTA themselves – and consistency will be the key to a service being reliable and with integrity. If you structure the provision of service where there is a discount or other benefit when using solely NZTA managed services then this will naturally skew behaviour. So when the government is serious about allowing a third party to participate in the service – keep the playing field level for all.

Revenue security

How can the RUC retail market assist with balancing a user-friendly system with ensuring revenue security?

The RUC service in the retail market will be a shift in consumer behaviour – communication about the change how the vehicle users are not being unfairly “taxed” will be vital. Education will be paramount when you consider the revenue implications if the message is wrong. So the key in our view is strong communication on the why, explaining the how, and allowing options for people so that its not onerous, it is easy and the costs is not so prohibitive that people will try to find loop holes around it to avoid paying.

Consumer protection and support

Do you have any initial views on how you might ensure appropriate protection of consumers (e.g. complaints, remedy mechanisms)? Would you offer different payment options to enable consumer flexibility and choice in RUC purchases?

Our current product allows flexibility around payment so that we can align our invoicing with a customers pay day. We have weekly, fortnightly and monthly options. We would see our ability to also offer RUC service as a great inclusion to this service and we see it resonating with our client base. If there is a complaint on RUC – we can assist the process as they are already a customer with whom we have a relationship. Our services are also able to be viewed on an app – which shows the customers account, and we could set up a link to send a contact message to the RUC team at NZTA in the event of any issue that is specific to the RUC team, and therefore bypass a middle man so to speak. It will be an important consideration for the RUC team at NZTA to have robust processes to answer questions in a timely manner.

[Optional] Additional information

If there is other material you would like to make us aware of in considering the policy, regulatory and legislative settings to enable greater third-party provision of RUC services, please feel free to include it below. Avoid attaching company brochures and other advertising material. We can only receive 20MB via email.

Nothing further

2.2 Assumptions

Assumptions

Please state any assumptions you have made in relation to the Response.

We assume that we will validate our customer's identity so the transaction is approved and that there will be a way to validate the rego being used for the RUC purchase.

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SECTION 3: Respondent's declaration

Topic	Declaration	Respondent's declaration
RFI-Terms:	I/we have read and fully understand this RFI, including the RFI-Terms. I/we confirm that the Respondent agrees to be bound by them.	agree
Conflict of Interest declaration:	The Respondent warrants that it has no actual, potential or perceived Conflict of Interest in submitting this Response. Where a Conflict of Interest arises during the RFI process the Respondent will report it immediately to the Buyer's Point of Contact.	agree
Details of conflict of interest:		

DECLARATION BY THE RESPONDENT

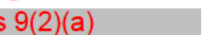
I/we declare that in submitting the Response and this declaration:

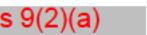
- the information provided is true, accurate and complete and not misleading in any material respect
- the Response does not contain any material that will infringe a third party's intellectual property rights
- I/we have secured all appropriate authorisations to submit this Response, and to make the statements and to provide the information in the Response.

I/we understand that the falsification of information, supplying misleading information or the suppression of material information in this declaration and the Response may result in the Respondent being eliminated from further participation in any procurement process flowing out of the RFI, and may be grounds for termination of any Contract awarded as a result of such a procurement process.

By signing this declaration the signatory below represents, warrants and agrees that they have been authorised by the Respondent to make this declaration on its/their behalf.

Signature:  _____

Full name:  _____

Title/position:  _____

Name of organisation: Kora New Zealand Limited _____

Date: 12 December 2024 _____



Nuonic Pty Ltd

Request for Information (RFI) Response Form

Road User Charges – Retail Services

In response to the Request for Information
by: Ministry of Transport

Date of this Response: 12th December 2024

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OFFICIAL INFORMATION ACT 1982

SECTION 1: About the Respondent

1.1 Our profile

This is a Response by Nuonic Pty Ltd (the Respondent) to provide information.

Item	Detail
Full legal name:	Nuonic Pty Ltd
Trading name (if different):	
Physical address:	Suite 12 Level 11, 458 Brunswick Street, Fortitude Valley, QLD 4006
Postal address:	Suite 12 Level 11, 458 Brunswick Street, Fortitude Valley, QLD 4006
Registered office:	Suite 12 Level 11, 458 Brunswick Street, Fortitude Valley, QLD 4006
Business website:	https://nuonic.com.au/
Type of entity (legal status):	Limited liability company (registered in Australia)
NZBN number:	Not applicable
Country of residence:	Australia
GST registration number:	Australian Business Number 76 613 269 364
Consent to follow up (Likely to be in week commencing 16 December)	Yes For the week beginning 16 December we are available each day other than 17 th between 1pm and 7pm NZDT After 6 January we are fully available.

1.2 Our Point of Contact

Item	Detail
Contact person:	s 9(2)(a)
Position:	
Physical location of contact person	
Phone number:	
Mobile number:	

Item	Detail
Email address:	s 9(2)(a)

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SECTION 2: Our Requirements

2.1 Responses

This document should be reviewed alongside the Information Memorandum and the RFI document (see GETS notice for all documents). Please increase the size of the answer box to fit your answers.

About you

To what extent is the provision of RUC retail services (ie. Providing services that support the purchase and management of RUC) something you currently do in New Zealand or another jurisdiction?

What is the scope of your current offering (i.e. types of vehicles, vehicle owners, and services)?

If you currently do not provide RUC retail services but are interested in the opportunity, include any current service offering in a similar sector, your level of experience in delivering that service, and why you are interested in the opportunity to deliver RUC retail services.

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Nuonic is an Australian owned and based software company that specialises in developing GPS tracking enabled or enhanced solutions for connected vehicle operators. Our interest in the commercial opportunities presented by the New Zealand RUC expansion relates to enabling greater use of GPS-enabled solutions and developing new user-friendly software and app-based solutions for calculating, paying and managing RUC. s 9(2)(ba)(i)

Our direct experience with RUC relates primarily to our involvement as the provider of calculation software for the Australian Federal Government's Large-Scale Heavy Vehicle Road User Charging Trial, a project conducted during 2023 and 2024 that utilised live GPS tracking data from multiple industry participants to calculate potential RUC charges for heavy vehicles under various proposed models and to compare those charges to the current Australian charging regime based on fuel excise and registration charges. The Trial involved over 1,000 vehicles operated by 22 participants using 8 different telematics services, for which Road User Charging 'mock' invoices were produced and delivered for a period of 12 months. For more information about the Trial see <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/transport-strategy-policy/heavy-vehicle-road-reform/national-heavy-vehicle-charging-pilot>.

Our indirect experience s 9(2)(ba)(i) relates to the provision of a commercial service for automating Fuel Tax Credit (FTC) apportionment calculations using GPS data from telematics devices installed in commercial vehicles. FTC has many similarities to RUC as it involves calculations relating to vehicle activity, on and off road apportionment and financial charges (in fact, a component of the fuel excise in Australia that can be claimed as a tax credit under certain conditions is explicitly called the 'Road User Charge'). This service, called Prism (www.prismapp.com.au), is used by over 350 customers operating tens of thousands of connected vehicles to support their FTC claims.

s 9(2)(ba)(i)

Prism has been operating commercially since 2017 and in 2023 achieved an Australian Tax Office (ATO) Class Ruling for apportioning vehicle activity.

Through the development of Prism, the RUC Trial and other products, such as our recently-launched telematics data integration platform PathStack (www.pathstack.io), Nuonic has developed a unique combination of technology, experience and relationships that enable it to provide robust and innovative solutions to connected vehicle operators. Nuonic services customers ranging from single-vehicle family businesses to multi-nationals with fleets of thousands.

s 9(2)(ba)(i)

We are excited by the opportunities to provide or support RUC services in New Zealand, supporting the largest operational scheme globally. We believe that RUC based on direct and accurate measurement of vehicle activity is a profoundly superior approach for generating revenue

to fund infrastructure operation and development compared to the regimes currently operating in most other developed nations. Unlike fuel taxes, which are an indirect proxy for vehicle activity, RUC not only offers a simpler and more transparent charging mechanism but also enormous potential to provide impactful road usage insights to drive smarter infrastructure decisions and potentially influence road user choices. In our view it is only a matter of time before the RUC approach pioneered by New Zealand is adopted in Australia and globally. Our goal is to develop high-quality solutions that support this transition and provide the most accurate, cost effective and user-friendly experience possible.

Level of interest in RUC services

What is the nature of the RUC retail service you are interested in offering:

1. Manual RUC management service (but not direct purchase of RUC). This could include a reminder service to purchase RUC and outline or link directly to where RUC can be purchased (online and in physical locations);
2. Manual RUC management service including direct purchase of RUC –as an Agent of NZTA. So that customers are reminded of the need to check and purchase RUC and when new licences are required, they can be purchased (either instore or online);
3. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and providing reminders to purchase RUC licences (but not direct purchase of RUC);
4. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and automatically purchasing RUC directly (as an agent of NZTA);
5. Full eRUC or eaRUC solution as a certified service provider approved by NZTA under the code or a revised version of the code (<https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc-guidelines/docs/ERUC-code-of-practice.pdf>); or
6. Another business model (or hybrid of the approaches outlined above)?

Our interest is in offering RUC retail services that utilise technology to provide users and government with accurate and high-quality RUC management services that deliver more insight and value to all parties.

We have identified two categories of service where we believe we are ideally placed to offer new, high-quality solutions:

1 – A single app to provide multiple electronic RUC purchasing and management options with easy upgrades to more advanced options.

This service provides a single point for users to access all manual and electronic RUC options, including direct purchase, RUC management services, EARUC and ERUC. This would be manifested as an app that allows users to select the approach they wish to take, with all required supporting tools in the platform and optional integrated hardware options for those methods requiring physical devices (including in-cab displays and tracking devices).

For customers who prefer traditional methods, the app would offer a modern suite of RUC management tools including scheduled RUC licence purchases and recharge reminders. We would seek to enable direct RUC purchase through the app as an agent of NTZA.

For customer seeking more automated solutions, the app would offer ERUC services that allow customers to connect approved telematics devices to the platform for automatic distance measurement, off-public road apportionment and RUC purchase. We would seek to provide these services for a range of telematics devices, using the concepts outlined in the second service category detailed further on in this section.

Users of both solutions would also be able to optionally add connected in-cab screens to display their RUC licences and we would actively include integrations with any new or emerging technologies relevant to RUC management, such as Co-Operative Intelligent Transport Systems (C-ITS) or Vehicle to Vehicle (V2V) integrations to support RUC data access to relevant authorities or agents.

By offering both manual and electronic RUC services, we allow the user to right approach for the with the option to easily upgrade should they choose to. Intelligent use of data would also be a key focus, providing more value to users and, privacy rules permitting, government with respect to optimising the use of vehicles and road infrastructure.

s 9(2)(ba)(i)

Nuonic has the experience and tools to analyse large volumes of complex vehicle activity data efficiently, yet make the process and results accessible to end users. Bringing this all together into an accurate and user-friendly app will offer a new option for New Zealand road users that will increase value and save time for all parties.

2 – A telematics service add-on to provide RUC services with any accredited telematics device via data integration.

This solution is similar to the FTC service we provide in Australia, by enabling telematics service providers to offer RUC as an optional add-on service using a third-party provider (Nuonic) that specialises in the process.

Developing an ERUC solution under the current framework is a significant undertaking for telematics providers, requiring capital investment and local knowledge to develop a solution that is not (currently) transferable to other regions. This presents a barrier to many globally recognised telematics providers entering the New Zealand market however, the devices offered by these global providers are just as accurate and advanced as those provided by the existing ERUC providers (in fact, many used shared components or manufacturers).

Our proposal is to work with NZTA to establish an accredited set of telematics device standards, relating to accuracy, reliability and any other aspects relevant to assuring the correct measurement of RUC-related factors. This may be considered similar to the Transport Certification Australia (TCA) Type Approval process for accrediting telematics devices. We would then seek accreditation for RUC calculation and management software using the data recorded for accredited telematics devices.

With these two components established, the New Zealand ERUC market could be served by any telematics provider that achieved accreditation for their device(s) and integrated them with our ERUC service. We expect this would result in the following benefits:

- Increased competition in the telematics market by allowing new entrants to participant that do not have the ability to build a highlight localised feature in a global platform, potentially lowering costs and offering new technology options for road users.
- Less 'lock-in' to specific telematics vendors for road users, as they would have more options to switch providers while keeping the same RUC (system) account, with all their history.
- Clear delineation of responsibility between vehicle activity measurement and RUC management. This allows each side to specialise in their area of expertise. We have seen the benefits of this approach with FTC where our focus on this area and experiences working with data from many device providers has allowed us to gain insights and develop solutions that may not be visible to vertically-integrated providers.
- Increased control of the application RUC rules for government, such as the classification of specific locations or the treatment of device errors, across different providers.
- Greater insights available to government through access to the RUC outputs of multiple parties using different devices connected to a single RUC calculation platform.

While this solution would require modifications to NZTA's assessment and regulatory approach, we believe these changes would represent a natural evolution of the existing processes.

For both RUC services outlined in this section, our approach would be founded in being highly responsive to customer needs, regulatory guidance and technology evolution. Like with Prism we would remain telematics-agnostic, providing objective high-quality results founded on the principles of accuracy and transparency for all stakeholders.

Commercial proposition

Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities?

As the underlying cost of RUC is fixed, retail service providers will need to make a commercial return on activities other than the sale of underlying RUC. This would mean selling RUC as part of a broader offering, such as:

- fleet management/telematic services
- bundling of utility like payments
- financial services to bundle and smooth payments
- sale of information to advertisers (with the express permission of customers) etc.
- efficiency of service offering enabling margin to be made on the administrative fees charged for RUC purchases

This list is non-exhaustive, and any other commercial propositions you may suggest will be welcome, along with any description of what, if any, changes to existing legislative or administrative provisions would be needed to facilitate this.

Are there minimum scale factors that impact commercial viability? Is there a lead time that needs to be considered? What other factors should we consider regarding commercial viability?

Nuonic's current view is that RUC retail services are likely to be commercially viable as a standalone business for both of the service proposals outlines in our answer to the previous question.

Service 1 – Electronic RUC purchase and management app

Providing RUC services via a mobile app under a low per-user cost and revenue model is likely to be viable if the number of monthly active users using a paid component of the service reaches scale in the order of 10's of thousands of users. s 9(2)(ba)(i)

There are various options for generating revenue from apps of this type including subscription charges for providing efficient RUC management tools or service fees added to RUC purchases. s 9(2)(ba)(i)

For users that select advanced ERUC options in the app using digital hardware devices, additional revenue could be generated from the device sales, or referrals to device sellers, and other value-adding data services such as analytical dashboards and reports.

Service 2 – Electronic RUC add-on service for telematics providers

This service proposal offers two pathways for commercialisation, either (1) charging the telematics providers fees to offer the integrated solution to their customers as part of a package or (2) charging the end user directly for using the ERUC service.

s 9(2)(ba)(i)

For both service proposals we also see the potential to assist users in optimising RUC costs through smart financing and bulk RUC purchasing. s 9(2)(ba)(i)

Revenue could be generated through a combination of RUC admin fee differentials for bulk and retail purchases, subscription fees for optimised services and possibly financing options to offer 'pay as you travel' rather than 'pay in advance' to users.

Technology

What role might technology offered by your business play in the future RUC retail market? Does your (current or planned) provision of RUC retail services use technology that you supply to measure and report distance, or support the reporting of distance from existing equipment (e.g. odometers or OEM telematics systems)? If so, can you summarise:

- how the technology works
- what data is collected
- What services you provide with the technology in connection with revenue collection (e.g. distance measurement, tolling, congestion charging, refunds)
- how you ensure the reliability and security of the system
- how revenue security is protected
- how user privacy is protected
- what benefits it offers customers compared to the existing system
- whether the technology is stand-alone or integrated into existing devices (cars or phones)
- whether it requires professional installation (if it is not integrated) and whether it requires any modifications to be fitted for the purpose of providing RUC retail services for light vehicles

Please describe any examples of where and when this technology has been applied in practice for RUC or similar purposes, to generate actual revenue.

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Our current operating technology, used in our Prism and PathStack products, is a collection of data processing and analysis modules specifically designed for working with detailed vehicle activity data recorded by telematics devices. These modules include components related to the extraction of location, state and specification data from our partner and integrated telematics providers and components related to standardisation and temporal and spatial analysis of that data. s 9(2)(ba)(i) All our technology is fully developed in house and fully owned IP.

Our telematics integration technology works with existing devices, including aftermarket telematics tracking units and OEM vehicle tracking services which are built in to the vehicle by the manufacturer. We are continuously expanding our integrations and partnerships, with the aim to include as many providers as possible.

The specific data collected and used by the technology is documented on the relevant product websites. For Prism, our FTC solution, the telematics input data specification is available on the public help centre here: <https://help.prismapp.com.au/Home/data-input-specification>. For PathStack, our newer general-purpose telematics integration platform, details of data used is available here: <https://docs.pathstack.io/api-reference/introduction>. Both of these products are actively developed and we continually add new data and devices as they become available.

By monitoring location, movement, and operational data, these systems can calculate and validate distance measurement using various inputs (including GPS positions and Odometer readings) and distinguish between on-road and off-road travel, allowing precise, reliable and auditable RUC/FTC calculations.

Nuonic takes user privacy and security seriously, all our software development considers these requirements as a fundamental component of our product and code design. Our public statements regarding these matter are available here:

- <https://docs.pathstack.io/legal/privacy-statement>
- <https://docs.pathstack.io/legal/security-statement>

Having originated from a financial service licensed parent entity with ISO 27001 certification, Nuonic has adopted many of the practices required to hold these accreditations. Each product we offer is considered individually from security and privacy perspectives, with appropriate terms, design and risk management and recovery plans developed to support it. To date Nuonic has not experienced any security breaches or exposure of confidential customer data.

For the proposed RUC services outlined in previous answers, revenue security would form a core component of the solution design. As RUC licence purchase would require integration with NZTA systems, we would expect to complete a comprehensive testing sequence together with NZTA to validate the correct handling of the processes, including financial transactions and errors, and obtain the required approvals and verification from NZTA well prior to making any solution available in production to end users.

s 9(2)(ba)(i)

Barriers

To inform the policy, legislative and regulatory settings, we are interested in your view about the barriers to you achieving your commercial aspirations as a RUC retail services provider. What legal, administrative or policy setting would need to change or be made easier to enable you to invest in offering RUC retail services?

Investing in the development and delivery of new RUC retail market services could be made more attractive by simplifying, clarifying and opening several of the requirements stated in the current administrative and policy settings. We have identified the following items as being potential detractors that could be changed without adverse impact on the RUC scheme:

- Remove the requirement to display physical RUC licenses in favour of linking RUC electronically to registrations records and/or showing your RUC licence on a handheld device upon request by an authorised agent or officer.
- Permit, simplify and clarify processes to enable RUC agents to bulk purchase RUC KM for distribution to end users using new models (e.g. 'pay as you travel'). The intent would be to lower the administrative costs of RUC purchases by delegating more of the work to approved technology-enabled retailers.
- Separate approval processes and requirements for hardware devices used to record distance from the calculation and management software used for RUC. More specific recommendations on this point are provided in the answers to the next question relating specifically to NZTA's role.
- Update section 9.1 of the Code of practice for ERUC management systems to allow approvals for ERUC, EARUC and other to be given to companies incorporated in New Zealand with a director residing in Australia.

These items are non-exhaustive and we expect that there are other measures which could reduce the barriers in providing RUC retail services without detracting from revenue security or user experience. We would seek to work collaboratively with NZTA through the product and service development cycle for our proposed RUC service options to identify other items which may be addressed to expedite the delivery of new RUC retail services to road users.

NZTA

NZTA plays an important role in RUC services as the Government's RUC collector.

Under current arrangements NZTA is responsible for:

1. Approving (or declining) any RUC retailer application and appointing and contract managing Agents (some of whom operate under a contract and are paid a commission for RUC sales);
2. Providing RUC retail services to customers directly (through its website and App);
3. Collecting and administering the RUC revenue; and
4. Receiving the statutory fee for RUC transactions.

The Government is keen to ensure NZTA's activities don't crowd out the role of third parties in the provision of RUC services. Are there measures that the Government should take to ensure NZTA's activities enable and encourage other RUC retailers to participate?

As Nuonic does not currently participate in the New Zealand RUC market, our view is based on our current understanding of the requirements for RUC agents and service providers. Based on this, we think that NZTA may be able to reduce the risk of crowding out private RUC retailers and encourage participation by taking the following actions:

- Clearly delineate the role of NZTA and private companies in the RUC retail market so that they avoid direct competition or provide greater third-party developer access via modern APIs to Government RUC systems on which to build new solutions.
- Separate approval of distance measurement devices from approval of RUC charging and management services using distance measurement data.
- Build on section 5 of the Code of practice for ERUC management systems to move from a set of recommendations to a solidified general set of standards for approval of electronic distance recorders for use in RUC.
- Allow telematics service providers to obtain approval for their electronic distance recorder as suitable for use in RUC, in isolation of the other components required for a full ERUC service.
- Build on section 7 of the Code of practice for ERUC management systems to move from a set of recommendations to a solidified general set of standards for RUC calculation and management software.
- Allow software companies to obtain approval for their RUC calculation and management software, in isolation of any devices used to record the distance required as an input to the RUC calculations.
- Work towards providing standardised data sets for common elements used in RUC calculations, such as an approved complete set of off-public road geofences, available to all approved providers.
- Consider offering grants or other incentives for business that can offer, and deliver, innovative solutions in the RUC retail market that clearly meet one or more of NZTA's and the Governments strategic objectives for the scheme.

We believe the items listed above would help to provide a level playing field so that third-party RUC service providers would compete on service quality and value-adding innovations. Providing transparent governance and compliance frameworks based on explicit criteria and simplifying the processes to gain and commissions would provide clarity to all market participants and improve commercial outcomes for all stakeholders.

Revenue security

How can the RUC retail market assist with balancing a user-friendly system with ensuring revenue security?

We believe that new RUC retail services outlined in this response can assist with ensuring revenue security while balancing user experience through the following factors:

- Making the RUC purchasing process easier and less costly through app-based solutions. While some of these already exist, there appears to be significant scope to increase user friendliness through intelligent design and value-adding data analysis tools at very low cost.
- Allowing more competition in the ERUC-approved telematics space through general approval of devices and separation of RUC management software. This would offer new options to fleet users, lowering their costs and potentially increasing the user base choosing to use automated ERUC through telematics. Automated ERUC should offer the greatest revenue security and the best user experience for this cohort of users.
- Allowing more flexibility in the purchase of RUC capacity by agents, to offer retail users more choice related to payment options and timing of purchases.
- Working with vehicle manufacturers and technology providers to develop in-vehicle RUC solutions that do not require the purchase of additional hardware (such as telematics devices) to utilise advance ERUC methods with off-public road concessions.

Generally, increased user friendliness is driven by increased accessibility to markets as more entrants can compete on the experience offered to users rather than on acquiring the approvals needed to enter the market. Any actions taken that increases accessibility, while maintaining compliance, is likely to see more user experience options being offered and the users can then select their preferred option.

Consumer protection and support

Do you have any initial views on how you might ensure appropriate protection of consumers (e.g. complaints, remedy mechanisms)? Would you offer different payment options to enable consumer flexibility and choice in RUC purchases?

Our approach to ensuring appropriate protection of consumers for any service we provide starts with employing highly knowledgeable staff that are available for customers to speak with and who genuinely care about the service they provide. There is no substitute for direct engagement with a person who understands the domain and has the ability to take action to resolve an issue.

Supporting our people serving our customers, we also ensure that the following measures are taken:

- All data is transmitted and stored securely, anonymously where appropriate, and in compliance with all applicable laws.
- Provide clear and complete details on how our system works and how to use it, so that it is transparent to the user on what data is collected and how it is processed. Our s 9(2)(ba)(i) platforms have extensive online documentation and in addition to this we aim to provide hints in our application so that the user can be guided as they use the platform.
- Work closely with the relevant external stakeholders, such as the ATO and NZTA, to achieve the required knowledge, approvals or accreditations needed to provide a fit-for-purpose service.
- Promote customer knowledge and self-validation of any outputs we provide through the use of rich dashboards, reports and auditing tools using the data processed on their account.
- Providing clear feedback channels so that customers can raise any issues quickly.
- Implementing manual and automated internal processes to find identify any discrepancies or errors across all customer accounts as early as possible.

s 9(2)(ba)(i)

[Optional] Additional information

If there is other material you would like to make us aware of in considering the policy, regulatory and legislative settings to enable greater third-party provision of RUC services, please feel free to include it below. Avoid attaching company brochures and other advertising material. We can only receive 20MB via email.

2.2 Assumptions

Assumptions

Please state any assumptions you have made in relation to the Response.

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SECTION 3: Respondent's declaration

Topic	Declaration	Respondent's declaration
RFI-Terms:	I have read and fully understand this RFI, including the RFI-Terms. I confirm that the Respondent agrees to be bound by them.	agree
Conflict of Interest declaration:	The Respondent warrants that it has no actual, potential or perceived Conflict of Interest in submitting this Response. Where a Conflict of Interest arises during the RFI process the Respondent will report it immediately to the Buyer's Point of Contact.	agree
Details of conflict of interest:	None identified	

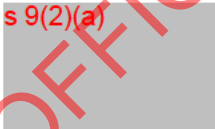
DECLARATION BY THE RESPONDENT

I/we declare that in submitting the Response and this declaration:

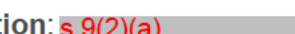
- the information provided is true, accurate and complete and not misleading in any material respect
- the Response does not contain any material that will infringe a third party's intellectual property rights
- I/we have secured all appropriate authorisations to submit this Response, and to make the statements and to provide the information in the Response.

I/we understand that the falsification of information, supplying misleading information or the suppression of material information in this declaration and the Response may result in the Respondent being eliminated from further participation in any procurement process flowing out of the RFI, and may be grounds for termination of any Contract awarded as a result of such a procurement process.

By signing this declaration the signatory below represents, warrants and agrees that they have been authorised by the Respondent to make this declaration on its/their behalf.

Signature:  _____

Full name:  _____

Title/position:  _____

Name of organisation: Nuonic Pty Ltd _____

Date: 12 December 2024 _____

Request for Information (RFI) Response Form

Road User Charges – Retail Services

In response to the Request for Information
by: Ministry of Transport

Date of this Response: 7th December 2024

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SECTION 1: About the Respondent

1.1 Our profile

This is a Response by Optimal Fleet Solutions Limited (the Respondent) to provide information.

Item	Detail
Full legal name:	Optimal Fleet Solutions Limited
Trading name (if different):	OptiFleet
Physical address:	8 St Ives Drive, Camborne, Porirua
Postal address:	8 St Ives Drive, Camborne, Porirua
Registered office:	8 St Ives Drive, Camborne, Porirua
Business website:	https://www.optifleet.co.nz
Type of entity (legal status):	limited liability company
NZBN number:	9429030723467
Country of residence:	New Zealand
GST registration number:	108 887 850 New Zealand
Consent to follow up (Likely to be in week commencing 16 December)	Yes

1.2 Our Point of Contact

Item	Detail
Contact person:	s 9(2)(a)
Position:	
Physical location of contact person:	Wellington, New Zealand
Phone number:	s 9(2)(a)
Mobile number:	
Email address:	

SECTION 2: Our Requirements

2.1 Responses

This document should be reviewed alongside the Information Memorandum and the RFI document (see GETS notice for all documents). Please increase the size of the answer box to fit your answers.

About you

To what extent is the provision of RUC retail services (ie. Providing services that support the purchase and management of RUC) something you currently do in New Zealand or another jurisdiction?

What is the scope of your current offering (i.e. types of vehicles, vehicle owners, and services)?

If you currently do not provide RUC retail services but are interested in the opportunity, include any current service offering in a similar sector, your level of experience in delivering that service, and why you are interested in the opportunity to deliver RUC retail services.

We are primarily a consultancy practice and data aggregator supporting B2B services for our commercial clients. Currently, we offer RUC monitoring through our app, with the option for automated RUC purchase if we have access to accurate odometer (odo) data. The odo data is collected from various sources, including driver reports, monthly fuel card data, GPS, and Global SIM data from OEMs.

We deal with all types of vehicles and cater to both B2B and B2C clients. While our B2B clients are our primary focus, we also serve B2C clients who utilise our online bid management system, TCO (Total Cost of Ownership) modelling, and Residual Value calculator. Our full suite of services includes, but is not limited to, a Virtual Vehicle Register (VVR), e-commerce bid management (own vs. lease), new car catalogues, composition and optimisation reporting, capital planning, and electric vehicle transition planning.

Although we do not currently provide retail RUC services, we are in the process of developing an offering in this area. Our future service will be API-compatible, which will allow us to integrate seamlessly with other sectors and enable them to include RUC services within their existing billing environments.

We are excited about the opportunity to expand our services into the retail RUC space and believe our extensive experience in data aggregation and fleet management provides a strong foundation for this expansion.

Level of interest in RUC services

What is the nature of the RUC retail service you are interested in offering:

1. **Manual RUC management service (but not direct purchase of RUC). This could include a reminder service to purchase RUC and outline or link directly to where RUC can be purchased (online and in physical locations);**
2. **Manual RUC management service including direct purchase of RUC –as an Agent of NZTA. So that customers are reminded of the need to check and purchase RUC and when new licences are required, they can be purchased (either instore or online);**

3. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and providing reminders to purchase RUC licences (but not direct purchase of RUC);
4. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and automatically purchasing RUC directly (as an agent of NZTA);
5. Full eRUC or eaRUC solution as a certified service provider approved by NZTA under the code or a revised version of the code (<https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc-guidelines/docs/ERUC-code-of-practice.pdf>); or
6. Another business model (or hybrid of the approaches outlined above)?

We will continue with our current RUC offering and we are also interested in offering the following RUC services:

1. Electronic RUC Management Services: This would involve electronic measurement and reporting of vehicle distance, with automated RUC purchasing directly as an agent of NZTA. This service would streamline the process for our clients, ensuring that RUC is purchased accurately and efficiently based on vehicle usage.
2. Full eRUC or eaRUC Solution: We are also interested in providing a comprehensive eRUC or eaRUC solution as a certified service provider approved by NZTA under the existing code or any revised version of the code. This would enable us to offer a fully compliant and integrated solution for RUC management.

We believe both approaches align with our capabilities and the evolving needs of our clients, allowing us to provide efficient and automated RUC solutions.

Commercial proposition

Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities?

As the underlying cost of RUC is fixed, retail service providers will need to make a commercial return on activities other than the sale of underlying RUC. This would mean selling RUC as part of a broader offering, such as:

- fleet management/telematic services
- bundling of utility like payments
- financial services to bundle and smooth payments
- sale of information to advertisers (with the express permission of customers) etc.
- efficiency of service offering enabling margin to be made on the administrative fees charged for RUC purchases

This list is non-exhaustive, and any other commercial propositions you may suggest will be welcome, along with any description of what, if any, changes to existing legislative or administrative provisions would be needed to facilitate this.

Are there minimum scale factors that impact commercial viability? Is there a lead time that needs to be considered? What other factors should we consider regarding commercial viability?

We do not view RUC retail services as a standalone business opportunity. Instead, we believe it should be bundled with other frequently used apps, ideally those related to vehicles, fuel, service, transportation, fleet management and banking. For example, RUC could be integrated into apps from fuel providers (where users can buy fuel, get a car wash, and purchase RUC) or ride-sharing services like Uber (where users can order a ride, get food, and purchase RUC). Similarly, banking apps could offer RUC purchase options while managing accounts.

We would be able to offer these institutions access to our already developed portal via our API, allowing them to surface the RUC functionality within their user experience (UX).

We see the integration of RUC services into these broader ecosystems to enhance customer convenience and increase adoption, while also opening up additional commercial opportunities through bundling with other services such as fleet management, telematics, utility payments, or financial services.

Additionally, we believe the commercial viability of this approach depends on the scale and user base of the partner apps, as well as the ability to seamlessly integrate RUC services into their existing workflows. Lead time for integration and any necessary adjustments to existing legislative or administrative provisions would need to be considered to ensure smooth implementation.

Technology

What role might technology offered by your business play in the future RUC retail market? Does your (current or planned) provision of RUC retail services use technology that you supply to measure and report distance, or support the reporting of distance from existing equipment (e.g. odometers or OEM telematics systems)? If so, can you summarise:

- how the technology works
- what data is collected
- What services you provide with the technology in connection with revenue collection (e.g. distance measurement, tolling, congestion charging, refunds)
- how you ensure the reliability and security of the system
- how revenue security is protected
- how user privacy is protected
- what benefits it offers customers compared to the existing system
- whether the technology is stand-alone or integrated into existing devices (cars or phones)
- whether it requires professional installation (if it is not integrated) and whether it requires any modifications to be fitted for the purpose of providing RUC retail services for light vehicles

Please describe any examples of where and when this technology has been applied in practice for RUC or similar purposes, to generate actual revenue.

We offer a SaaS solution, we have access to NZTA aggregated register data (business tool only) and access to all vehicle data by plate and VIN including all compliance items, licence, WoF, CoF and RUC.

We are not currently collecting revenue for the items, we provide oversight to the status and empower the user to procure directly. We are developing our portal to automate the procurement of licence based on time and RUC based on odo, the owner will be able to tailor the distance before expiry to trigger to procurement and they will be able to tailor the amount of RUC packets based on 1,000km units

The availability will be governed by NZTA uptimes and normal SAAS securities will be deployed such as multi authentications, secure API keys, secure secret keys and random and forced key rollovers.

The procurement or RUC can be automated and to a degree set and forget, in this scenario the owner should never be non-compliant to the extent that labels would not be required as if checked by police or officials compliance would be always be up to date.

The service would be stand alone and could be accessed on phone or desktop.

SaaS service requires no hardware

Our business offers a SaaS solution that utilises data aggregation to support RUC-related services. We have access to NZTA's aggregated register data (business use only), as well as comprehensive vehicle data by plate and VIN, including compliance details such as licences, WoF, CoF, and RUC.

While we currently do not collect revenue directly, our platform provides oversight and empowers users to procure RUC licenses directly. We are actively developing a portal that will automate the procurement of licences based on time, and RUC based on odometer readings. Vehicle owners will be able to tailor the distance before expiry to trigger procurement and specify the RUC packet size (in 1,000km increments).

How the Technology Works:

- The technology collects vehicle data, including odometer readings, via multiple sources (e.g., driver input, fuel card data, GPS, OEM telematics). This data is used to track RUC requirements.
- The system will automatically notify users when RUC is nearing expiry and trigger procurement based on the vehicle's odometer data.

Services Provided with Technology:

- We provide distance measurement, RUC tracking, and automated reminders to purchase RUC based on odometer readings.
- The system empowers users to purchase RUC when needed, helping to ensure compliance with NZTA regulations without manual intervention.

Data Security and Reliability:

- Our data, including backups, is securely housed in New Zealand and Australia within Amazon Web Services (AWS) cloud infrastructure, which is known for its strong security measures and global compliance certifications.
- We implement encryption for all data, both in transit and at rest, and access is tightly controlled with multi-factor authentication (MFA) and role-based access controls (RBAC).
- Our platform is continuously monitored for security threats, and regular security audits are conducted to maintain compliance.

Revenue Security and User Privacy:

- We ensure revenue security by offering automated procurement, ensuring that users are never non-compliant, even if their RUC is checked by authorities.
- User privacy is protected through strong encryption and secure data handling practices, and we ensure compliance with privacy regulations.

Benefits Compared to Existing Systems:

- The key benefits of our solution include seamless automation, reducing the risk of non-compliance and making RUC management more efficient for fleet and vehicle owners.
- Users can set it and forget it, allowing for a more convenient experience compared to the manual RUC management process currently in place.

Technology Integration and Requirements:

- The service is standalone and accessible via both phone and desktop. It does not require any additional hardware, as it integrates with existing devices like smartphones or telematics systems.
- The SaaS solution does not require professional installation and can be used as-is once integrated with vehicle data.

Application in Practice:

- While we are still in the process of developing full revenue collection capabilities, we are building a system that will be capable of automating RUC purchases in a secure and efficient manner, offering a seamless user experience that will help generate actual revenue in the future.

Data Security and Compliance: We take data security and compliance very seriously. Our data is stored securely within the AWS cloud infrastructure in New Zealand and Australia. AWS provides robust security measures and meets global compliance standards, ensuring our clients' data is well protected.

Security Measures:

- **Encryption:** All data, both in transit and at rest, is encrypted using strong protocols.
- **Access Controls:** We enforce multi-factor authentication (MFA) and role-based access control (RBAC) to restrict access to sensitive data.

- **Monitoring and Audits:** Continuous monitoring of our systems for threats, alongside regular security audits.

Incident Response: In the event of a data breach or security incident, we have a well-defined response plan in place:

1. **Immediate Containment:** We quickly isolate affected systems to prevent further access.
2. **Investigation:** A thorough investigation will be conducted to understand the cause and impact.
3. **Notification:** We will notify affected parties according to legal and regulatory requirements.
4. **Remediation:** After identifying the root cause, corrective actions will be implemented to prevent future breaches.

We are committed to maintaining the highest standards of data security and privacy protection.

Barriers

To inform the policy, legislative and regulatory settings, we are interested in your view about the barriers to you achieving your commercial aspirations as a RUC retail services provider. What legal, administrative or policy setting would need to change or be made easier to enable you to invest in offering RUC retail services?

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To effectively invest in and offer RUC retail services, several legal, administrative, and policy barriers would need to be addressed or streamlined:

1. **Regulatory Clarity on RUC Retail Services:** The current regulatory framework around RUC services is primarily geared toward traditional retail models, and there is limited clarity regarding digital and automated solutions. Clear guidelines or amendments to regulations would be needed to support the use of electronic and automated RUC services, particularly those that involve third-party APIs for RUC procurement.
2. **Integration with NZTA's Systems:** To provide seamless RUC management and ensure accurate reporting and compliance, integration with NZTA's existing systems needs to be streamlined. Access to the NZTA database and real-time updates of RUC status through secure APIs would help enable automated procurement and RUC monitoring, which could significantly improve efficiency and compliance for users.
3. **Consumer Protection and Data Privacy:** As RUC services increasingly involve the collection and use of sensitive vehicle data (odometer readings, driving behaviour, etc.), the regulatory environment needs to provide clear standards for data privacy and consumer protection. This would ensure that customers feel secure about their personal data, building trust in electronic RUC services.
4. **Incentives for Innovation and Investment:** Policies that provide incentives for innovation in the RUC sector, such as grants, tax benefits, or subsidies for technology development, would help reduce the financial risks of developing and deploying new solutions. These incentives could encourage businesses to invest in scalable and efficient systems, which could benefit both providers and consumers.
5. **Flexibility in Business Models:** RUC services should be allowed to be bundled with other vehicle-related services (such as fleet management or telematics) without being restricted to a single model. This would allow for more flexible and innovative business models that could drive broader adoption.

Addressing these barriers would help enable us to develop and scale an efficient, customer-friendly RUC service that integrates seamlessly with other vehicle-related services, ultimately improving compliance and convenience for users.

NZTA plays an important role in RUC services as the Government's RUC collector.

Under current arrangements NZTA is responsible for:

1. **Approving (or declining) any RUC retailer application and appointing and contract managing Agents (some of whom operate under a contract and are paid a commission for RUC sales);**
2. **Providing RUC retail services to customers directly (through its website and App);**
3. **Collecting and administering the RUC revenue; and**
4. **Receiving the statutory fee for RUC transactions.**

The Government is keen to ensure NZTA's activities don't crowd out the role of third parties in the provision of RUC services. Are there measures that the Government should take to ensure NZTA's activities enable and encourage other RUC retailers to participate?

To ensure NZTA's activities enable and encourage other RUC retailers to participate, the Government should focus on creating an open, competitive environment that allows reputable third-party suppliers to contribute to the collection of road tax. Specifically, the Government could:

1. **Promote Fair Competition:** By ensuring that NZTA's role remains focused on regulation and oversight, rather than directly competing with third-party providers, the Government can foster a competitive landscape where multiple RUC retailers can offer innovative and customer-centric solutions.
2. **Encourage Partnerships:** Facilitate collaboration between NZTA and third-party providers, allowing these retailers to integrate their services with NZTA's systems (e.g., via secure APIs). This would enable third-party suppliers to offer RUC services seamlessly, benefiting both the Government and consumers through enhanced choice and efficiency.
3. **Support Innovation:** The Government could create policies or incentives that encourage third-party innovation, such as providing grants or tax breaks for technology development in the RUC space. This would help attract new players and drive improvements in the service offering.
4. **Ensure Transparent and Streamlined Approval Processes:** Simplifying the application and approval processes for third-party RUC retailers would reduce barriers to entry and encourage more providers to enter the market, thereby increasing competition and service variety.

By adopting these measures, the Government could ensure NZTA's role complements and supports the broader ecosystem of RUC retailers, contributing to a more diverse and effective system for collecting road tax.

Revenue security

How can the RUC retail market assist with balancing a user-friendly system with ensuring revenue security?

Balancing a user-friendly system with revenue security in the RUC retail market requires addressing the risk of non-compliant vehicles—specifically, users who fail to pay for RUC or run non-compliant vehicles. Unlike the fuel tax, which collects revenue regardless of a vehicle's compliance, RUC relies on individuals actively purchasing and renewing their charges.

To mitigate this risk, the following measures could help:

1. **Enhanced Enforcement and Monitoring:** Prioritising the policing of non-compliant vehicles by authorities would ensure that vehicles which fail to meet RUC obligations are identified and penalised. This could include random checks or the use of automated systems (number plate recognition) to detect non-compliant vehicles in real-time.
2. **Automation and Notifications:** Implementing automated reminders for vehicle owners, triggered by odometer readings or usage patterns, could help reduce the likelihood of non-compliance. These reminders would encourage timely RUC procurement, creating a user-friendly experience while ensuring compliance.
3. **Real-Time Compliance Monitoring:** Providing an option for real-time reporting and verification of RUC status (via mobile apps or telematics systems) would give both users and authorities confidence that the appropriate charges are being paid, ensuring that non-compliant vehicles are quickly flagged.

By combining these approaches, the system could remain user-friendly while ensuring the necessary revenue security and compliance.

Consumer protection and support

Do you have any initial views on how you might ensure appropriate protection of consumers (e.g. complaints, remedy mechanisms)? Would you offer different payment options to enable consumer flexibility and choice in RUC purchases?

To ensure appropriate protection of consumers, we would implement a clear and accessible process for complaints and remedies. We are committed to continuously improving our services based on user feedback. Any issues or concerns raised by customers would be promptly addressed through a defined resolution process, ensuring a high standard of customer support.

In terms of payment options, we would offer credit card and direct debit payment methods to provide flexibility and convenience for consumers when purchasing RUC. However, we would strongly advise against offering financing options for RUC purchases, as this could introduce unnecessary complexity and potential financial strain for customers.

We would also provide flexibility in terms of the distance before expiry and the volume of RUC that needs to be purchased, allowing customers to tailor their purchases based on their usage patterns. This ensures a personalised, user-friendly experience.

By focusing on customer feedback, clear remedy mechanisms, and flexible payment options, we would aim to maintain a high level of consumer protection and satisfaction.

[Optional] Additional information

If there is other material you would like to make us aware of in considering the policy, regulatory and legislative settings to enable greater third-party provision of RUC services, please feel free to include it below. Avoid attaching company brochures and other advertising material. We can only receive 20MB via email.

We believe that fostering a competitive and innovative environment for third-party RUC services will benefit both consumers and the broader economy. To enable greater third-party provision, it would be helpful to ensure that:

1. **Clear and Flexible Regulatory Frameworks:** Regulations should evolve to support new business models and technologies, including electronic and automated RUC services. This would help streamline the approval process for new providers and facilitate their integration into the existing system.
2. **Collaboration with Existing Providers:** Encouraging collaboration between third-party providers and NZTA would allow for smoother integration of RUC services into existing platforms, leveraging technology to improve both compliance and user experience.
3. **Incentivising Innovation:** Providing incentives for technological innovation in the RUC space, such as grants or tax breaks for development of new RUC solutions, would drive competition and improve service offerings.

We believe these steps will contribute to creating an environment that encourages the entry of new providers, leading to better services, increased convenience for consumers, and enhanced revenue collection for the government.

2.2 Assumptions

Assumptions

Read the Question

Please state any assumptions you have made in relation to the Response.

The following assumptions have been made in relation to our response:

1. **Access to Accurate Data:** It is assumed that the necessary data, excluding vehicle odometer readings, RUC status, and compliance information, will be accessible and accurate for third-party services to provide automated RUC management and reporting.
2. **Regulatory Support:** It is assumed that the regulatory environment will evolve to support the inclusion of third-party providers in the RUC retail space, allowing for integration with NZTA systems through secure APIs and ensuring compliance with relevant codes of practice.
3. **Consumer Behaviour:** It is assumed that consumers are willing to adopt more automated, technology-driven methods for managing their RUC, such as receiving reminders, setting purchase preferences, and automating RUC procurement.

Assumptions

4. **Payment Flexibility:** It is assumed that the payment methods of credit card and direct debit will be acceptable to consumers and will meet the security requirements of the RUC system.
5. **Market Acceptance:** It is assumed that there will be demand for third-party RUC services and that consumers and businesses will be open to bundling RUC with other vehicle-related services.
6. **NZTA Collaboration:** It is assumed that NZTA will be willing to collaborate with third-party providers, particularly in the development and implementation of a seamless process for the reporting, purchasing, and managing of RUC.

These assumptions form the basis of the proposed approach for providing RUC services and may evolve as further insights are gained or new regulatory frameworks are introduced.

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SECTION 3: Respondent's declaration

Topic	Declaration	Respondent's declaration
RFI-Terms:	I/we have read and fully understand this RFI, including the RFI-Terms. I/we confirm that the Respondent agrees to be bound by them.	agree
Conflict of Interest declaration:	The Respondent warrants that it has no actual, potential or perceived Conflict of Interest in submitting this Response. Where a Conflict of Interest arises during the RFI process the Respondent will report it immediately to the Buyer's Point of Contact.	agree
Details of conflict of interest:	NIL	

DECLARATION BY THE RESPONDENT

I/we declare that in submitting the Response and this declaration:

- the information provided is true, accurate and complete and not misleading in any material respect
- the Response does not contain any material that will infringe a third party's intellectual property rights
- I/we have secured all appropriate authorisations to submit this Response, and to make the statements and to provide the information in the Response.

I/we understand that the falsification of information, supplying misleading information or the suppression of material information in this declaration and the Response may result in the Respondent being eliminated from further participation in any procurement process flowing out of the RFI, and may be grounds for termination of any Contract awarded as a result of such a procurement process.

By signing this declaration the signatory below represents, warrants and agrees that they have been authorised by the Respondent to make this declaration on its/their behalf.

Signature: s 9(2)(a) _____

Full name: s 9(2)(a) _____

Title/position: s 9(2)(a) _____

Name of organisation: Optimal Fleet Solutions Limited _____

Date: 7 December 2024 _____

Checklist for Respondents

Before you submit your Response...	
1. Fill out all sections of the Response Form.	☐
2. Remove all the purple 'Respondent Tip' boxes from this Form.	☐
3. Delete the PURPLE instructions from this Form.	☐
4. Un-shade the BLUE highlighting where you fill out your answer.	☐
5. Prepare your Response Send a digital copy by email to procurement@transport.govt.nz	☐
6. Arrange for the Response to be submitted electronically before the Deadline for Responses.	☐

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Request for Information (RFI) Response Form

Road User Charges – Retail Services

In response to the Request for Information
by: Ministry of Transport

Date of this Response: 10 December 2024

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SECTION 1: About the Respondent

1.1 Our profile

This is a Response by IntelliTrac New Zealand Limited (the Respondent) to provide information.

Item	Detail
Full legal name:	IntelliTrac New Zealand Limited
Trading name (if different):	
Physical address:	14 Mahunga Drive Mangere Bridge 2022 Auckland New Zealand
Postal address:	P.O Box 59102, Mangere Bridge, Auckland 2151
Registered office:	C/o Findex, Level 29, 188 Quay Street, Auckland Central, Auckland 1010 New Zealand
Business website:	https://IntelliTrac.co.nz
Type of entity (legal status):	limited liability
NZBN number:	9429047487079
Country of residence:	New Zealand
GST registration number:	129-537-248
Consent to follow up (Likely to be in week commencing 16 December)	Yes – Available before 20 th January and after 6 th January

1.2 Our Point of Contact

Item	Detail
Contact person:	s 9(2)(a)
Position:	
Physical location of contact person	Melbourne Australia
Phone number:	s 9(2)(a)
Mobile number:	
Email address:	

SECTION 2: Our Requirements

2.1 Responses

This document should be reviewed alongside the Information Memorandum and the RFI document (see GETS notice for all documents). Please increase the size of the answer box to fit your answers.

About you

To what extent is the provision of RUC retail services (ie. Providing services that support the purchase and management of RUC) something you currently do in New Zealand or another jurisdiction?

What is the scope of your current offering (i.e. types of vehicles, vehicle owners, and services)?

If you currently do not provide RUC retail services but are interested in the opportunity, include any current service offering in a similar sector, your level of experience in delivering that service, and why you are interested in the opportunity to deliver RUC retail services.

Currently IntelliTrac provide GPS vehicle telematics to monitor vehicle locations and distance travelled etc.

We have a simple RUC reminder and register service within our software, which

- Reminds clients when RUC is due
- Keeps a register of RUC purchases

For each vehicle in their fleet

Please see artifacts below from our internal R&D site (Apologies we cannot provide real data due to privacy)

No	Vehicle	Vehicle Type	Date Purchased	Current Odometer	Odometer On Purchased (KM)	Distance Purchased (KM)	Expired At (KM)	Expired In (KM)	Action
1		Light Vehicle	17 Nov 2021 00:00	80064233488 KM	108000.00 KM	10000 KM	118000.00 KM	EXPIRED	
2	TOBDRIT1_Nov Version 2	Light Vehicle	1 Sep 2021 00:00	55247.60 KM	40000.00 KM	920 KM	40920.00 KM	EXPIRED	
3	JSP9(M)Renov Petrol(ole)	Light Vehicle	24 Jun 2015 00:00	0.00 KM	125799.60 KM	5000 KM	130799.60 KM	130799.60 KM	
4	TVB2(R)Renov	Light Vehicle	12 Sep 2019 00:00	0.00 KM	31211.00 KM	1000 KM	32211.00 KM	32211.00 KM	
5	CAR PLATE	Heavy Vehicle	5 May 2015 00:00	0.20 KM	0.00 KM	1000 KM	1000.00 KM	999.80 KM	
6	Dean Anteny Chip Test 1	Light Vehicle	17 Nov 2021 00:00	125091.50 KM	122034.00 KM	1000 KM	123034.00 KM	EXPIRED	
7	Dean LK Test 2	Light Vehicle	26 Aug 2019 00:00	123370 KM	21.18 KM	550 KM	571.18 KM	EXPIRED	
8	Dean's new 1300 Test (with fuel)	Light Vehicle	5 Apr 2023 00:00	1.00 KM	131200.70 KM	300 KM	131500.70 KM	131578.90 KM	
9	NOT RUCED	Light Trailer	6 Jun 2016 00:00	174666.00 KM	174666.00 KM	5000 KM	179666.00 KM	5000.00 KM	
10	Strike Test (RUC) - Test FW	Light Vehicle	26 Aug 2019 00:00	0.00 KM	30000.00 KM	600 KM	30600.00 KM	30600.00 KM	
11	FW	Light Vehicle	1 Jul 2019 00:00	0.00 KM	175600.00 KM	1000 KM	176600.00 KM	176600.00 KM	
12	SG FLEET	Light Vehicle	25 May 2018 00:00	0.00 KM	45000.00 KM	1000 KM	46000.00 KM	46000.00 KM	

3	1SF9LM (Brent Petricevic)	Light Vehicle	24 Jun 2015 00:00	0.00 KM	125799.60 KM	5000 KM	130799.60 KM	130799.60 KM	
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Vehicle Detail of 1SF9LM (Brent Petricevic)

Vehicle Makes & Model: Renault Kangoo
Vehicle Reg. Number: 1SF9LM

Vehicle Type:
- Light Vehicle

☒ Show alert before expiry due in 500

☐ Send Email

Update Detail Close

RUC LICENCE HISTORY

No	Date Purchased	Odometer On Purchased (KM)	Distance Purchased (KM)	(\$ Cost	Expired At (KM)	Action
1	24 Jun 2015 00:00	125799.60 KM	5000.00 KM	\$ 500	130799.60 KM	
2	3 Jun 2015 00:00	123811.80 KM	1000.00 KM	\$ 130	124811.80 KM	
3	20 Apr 2015 00:00	120038.00 KM	1000.00 KM	\$ 1	121038.00 KM	
4	14 Apr 2015 00:00	120029.70 KM	1000.00 KM	\$ 100	121029.70 KM	

Add Purchased History

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Vehicle Detail of 1SF9LM (Brent Petricevic)

Vehicle Make & Model: Renault Kangoo
Vehicle Reg. Number : 1SF9LM

Vehicle Type

- Light Vehicle

☒ Show alert before expiry due in 500

☐ Send Email

Update Detail

Close

RUC LICENCE HISTORY

No	Date Purchased	Odometer On Purchased (KM)	Distance Purchased (KM)	(\$ Cost	Expired At (KM)	Action
1	24 Jun 2015 00:00	125799.60 KM	5000.00 KM	\$ 500	130799.60 KM	
2	3 Jun 2015 00:00	123811.80 KM	1000.00 KM	\$ 130	124811.80 KM	
3	20 Apr 2015 00:00	120038.00 KM	1000.00 KM	\$ 1	121038.00 KM	
4	14 Apr 2015 00:00	120029.70 KM	1000.00 KM	\$ 100	121029.70 KM	

Add Purchased History

Date Purchased

select transaction date

Distance Purchased

1000 KM

Cost

130 \$

Odometer On Purchased (KM)

0000 KM

get current odometer

Save

Cancel

RUC Credits (Off Road Geofences) or travelling off a public road – determined by distance from Road Centre Line GIS Data.

Date

Start 1 January 2024 00:00:00 End 30 November 2024 23:59:59

☒ Use Historical Geofences
*Please note report processing may take longer

Minimum Duration: 1 minutes

Distance from Nearest Road Centre Line: 50 metres

Hide options

Device(s)

☒ Check loaded devices

Select Group: 1 selected

Geofence(s) Offroad

IntelliTrac Service Team

Group - Select all

new test
New Zealand
Office Geofence Group
Vic Toll Roads

☒ Check all ☐ Hide Normal Geofence

☒ IntelliTrac NZ Office
☐ IntelliTrac Office

Action

Generate Download

Reset form

MEU872 (NZ) - (2010400001)

Jump to page: 1

View 500 rows Fixed Header

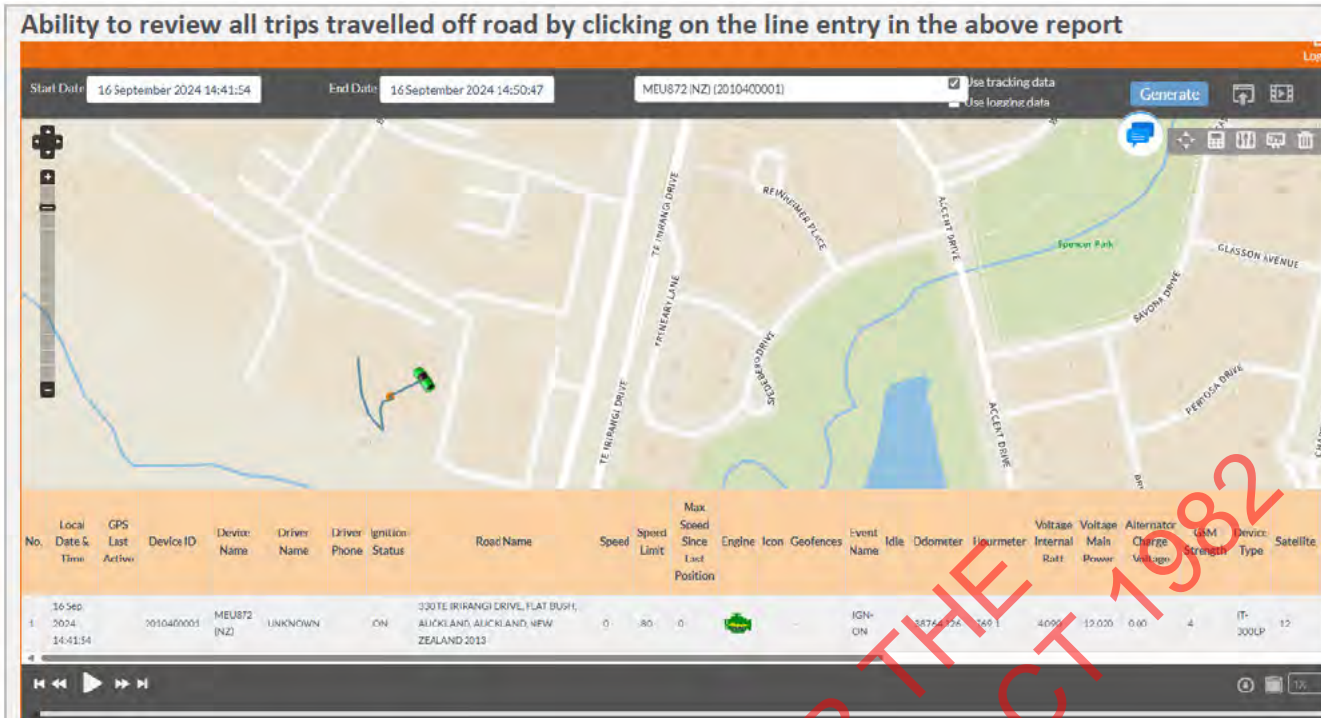
Device Name	Vehicle Group	Geofence Name	Closest Road	Longitude	Latitude	Distance from Closest Road (m)	Date Time Entered	Date Time Exited	Duration	Odometer at Entry	Odometer at Exit	Off Road Distance - Odometer	Off Road Distance - GPS Point to Point
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794751	-36.944015		09 Jan 2024 14:35:25	09 Jan 2024 16:01:52	00:01:39	36601.425	36601.433	0	0.07
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794723	-36.943995		05 Feb 2024 11:21:17	05 Feb 2024 16:12:51	00:01:20	36875.372	36875.498	0	0.35
MEU872 (NZ)	New Zealand		BROWN ROAD, MANUREWA, AUCKLAND, AUCKLAND, NEW ZEALAND 2102	174.867669	-37.016285	72	25 Feb 2024 14:14:41	25 Feb 2024 14:16:41	00:02:00	37165.098	37165.337	0.3	0.12
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794705	-36.943966		28 Feb 2024 12:05:06	28 Feb 2024 15:09:00	00:01:01	37207.491	37207.574	0	0.34
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794701	-36.943968		04 Mar 2024 11:53:33	04 Mar 2024	00:01:02	37281.535	37281.652	0	0.33
MEU872 (NZ)	New Zealand		NEILSON STREET, ONEHUNGA, AUCKLAND, AUCKLAND, NEW ZEALAND 1061	174.806781	-36.924513	101	12 Mar 2024 12:19:30	12 Mar 2024 12:21:19	00:01:49	37388.791	37388.873	0.08	0.04
MEU872 (NZ)	New Zealand		NEILSON STREET, ONEHUNGA, AUCKLAND, AUCKLAND, NEW ZEALAND 1061	174.808014	-36.924411	120	12 Mar 2024 12:22:51	12 Mar 2024 12:24:47	00:01:56	37388.873	37389.054	0.18	0.02
MEU872 (NZ)	New Zealand		BROWN ROAD, MANUREWA, AUCKLAND, AUCKLAND, NEW ZEALAND 2102	174.869140	-37.015880	68	25 Mar 2024 22:27:53	25 Mar 2024 22:29:44	00:01:51	37665.924	37666.184	0.31	0.1
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794698	-36.943940		09 Apr 2024 12:23:15	09 Apr 2024 15:14:51	00:01:48	37786.964	37787.104	0	0.01
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794708	-36.943955		12 Apr 2024 14:11:32	12 Apr 2024 16:48:09	00:01:35	37897.633	37897.767	0	0.38
MEU872 (NZ)	New Zealand		BROWN ROAD, MANUREWA, AUCKLAND, AUCKLAND, NEW ZEALAND 2102	174.867663	-37.016225	78	18 Apr 2024 23:44:54	18 Apr 2024 23:46:03	00:01:09	38001.475	38001.673	0.56	0.43
MEU872 (NZ)	New Zealand		BROWN ROAD, MANUREWA, AUCKLAND, AUCKLAND, NEW ZEALAND 2102	174.869136	-37.015868	70	02 May 2024 18:37:01	02 May 2024 18:39:35	00:02:34	38165.905	38166.041	0.14	0
MEU872 (NZ)	New Zealand		BROWN ROAD, MANUREWA, AUCKLAND, AUCKLAND, NEW ZEALAND 2102	174.869136	-37.015848	72	13 May 2024 18:18:29	13 May 2024 18:23:55	00:05:26	38309.241	38309.452	0.27	0.15
MEU872 (NZ)	New Zealand		130 TE IRIRANGI DRIVE, FLAT BUSH, AUCKLAND, AUCKLAND, NEW ZEALAND 2013	174.903353	-36.955953	91	16 Sep 2024 14:41:54	16 Sep 2024 14:50:47	00:08:53	38764.326	38764.421	0.13	0.05
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794679	-36.943995		16 Oct 2024 11:46:13	16 Oct 2024 13:05:36	00:01:03	39235.318	39235.439	0	0.02
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794691	-36.943965		06 Nov 2024 14:27:04	06 Nov 2024 17:10:42	00:01:35	39401.396	39401.466	0	0.01
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794690	-36.943941		20 Nov 2024 13:59:16	20 Nov 2024 17:07:49	00:01:04	39571.379	39571.41	0	0.02
MEU872 (NZ)	New Zealand	IntelliTrac NZ Office		174.794734	-36.944043		25 Nov 2024 11:35:50	25 Nov 2024 11:51:50	00:01:01	39737.824	39737.969	0	0.31

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Total Distance Travelled (Odometer) (km) 3072.93

Total Distance Travelled Off Road (Odometer) (km) 1.97

Percentage Distance Travelled Off Road 0.06 %



Level of interest in RUC services

What is the nature of the RUC retail service you are interested in offering:

1. Manual RUC management service (but not direct purchase of RUC). This could include a reminder service to purchase RUC and outline or link directly to where RUC can be purchased (online and in physical locations);
2. Manual RUC management service including direct purchase of RUC –as an Agent of NZTA. So that customers are reminded of the need to check and purchase RUC and when new licences are required, they can be purchased (either instore or online);
3. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and providing reminders to purchase RUC licences (but not direct purchase of RUC);
4. Electronic RUC management services enabled by electronic measurement and reporting of vehicle distance and automatically purchasing RUC directly (as an agent of NZTA);
5. Full eRUC or eaRUC solution as a certified service provider approved by NZTA under the code or a revised version of the code (<https://www.nzta.govt.nz/assets/resources/road-user-charges/eruc-guidelines/docs/ERUC-code-of-practice.pdf>); or
6. Another business model (or hybrid of the approaches outlined above)?

IntelliTrac's interest lies in the provision of

- GPS Based Electronic RUC management devices and services which provide electronic measurement and reporting of vehicle distance and location.
- Automatic purchasing of RUC (as an agent for NZTA)
- Full eRUC/eaRUC solution as a certified provider approved by NZTA

Commercial proposition

Do you think the commercial proposition of RUC retail services is a standalone business opportunity or one that is integrated with a range of other activities?

As the underlying cost of RUC is fixed, retail service providers will need to make a commercial return on activities other than the sale of underlying RUC. This would mean selling RUC as part of a broader offering, such as:

- fleet management/telematic services
- bundling of utility like payments
- financial services to bundle and smooth payments
- sale of information to advertisers (with the express permission of customers) etc.
- efficiency of service offering enabling margin to be made on the administrative fees charged for RUC purchases

This list is non-exhaustive, and any other commercial propositions you may suggest will be welcome, along with any description of what, if any, changes to existing legislative or administrative provisions would be needed to facilitate this.

Are there minimum scale factors that impact commercial viability? Is there a lead time that needs to be considered? What other factors should we consider regarding commercial viability?

IntelliTrac's interest would be as follows:

Consumer Model

1. A consumer model in which IntelliTrac provides an OBDII plug and play GPS Telematics device which reads vehicle odometer from the Can Bus and provide the consumer with an App to view and monitor vehicle location (for security), view distances travelled, view historical RUC purchases and advise how soon additional RUC will need to be purchased.

In future car manufacturers may have existing OEM telematics devices which may send a feed into IntelliTrac systems, thus not requiring IntelliTrac to provide an GPS Telematics device.



"IntelliTrac Easy" Winner Canstar Innovation Award

At IntelliTrac we have spent years of research & development with hundreds of vehicles out in the field making the best OBDII Plug & Go GPS Tracking device in the world. Our R&D department was backed by a team of analysts, independent research facilities & major insurance companies to ensure device reliability & the reliability of data produced. We also engaged focus groups to provide feedback on ease of installation & ease of use. With tens of thousands of the devices now sold, we are confident that we have produced the best product in its class.



Video Link <https://youtu.be/GfNtr6tOAqU?si=9ogVyuRBNOQIzEhK>

2. The solution will provide an automated payment gateway to top up RUC at various dollar/km levels as selected by the consumer. Eg: when credit runs below \$10 top up \$76 (or 1000km)
3. The solution will provide a method of manually purchasing RUC or automatic direct debit from a credit card or bank account.
4. The solution will provide SMS and push notifications to alert the driver of
 - Low RUC Balance
 - Failed transactions
 - Credit Card Expiry
 - Zero RUC balance
5. Optionally the app will provide driving behaviour scoring (where data can be fed to insurers to provide pay how you drive insurance based on distance travelled and risk).

Business Commercial Fleet Model

1. With similar functionality to the consumer model, the business model would be integrated into IntelliTrac's Fleet Management GPS Telematics Solution to provide additional features which both the client and NZTA or IRD may require or introduce in the future. These would include:
 - An operational fleet management tool to provide vehicle activity reporting, exception alerts and driving behaviour scoring
 - Route planning and optimisation dispatched to an on board navigation system
 - Delivery and Work order Management
 - Financial Fleet Management (recording all operational costs of fleet)
 - Health and Safety such as
 - Vehicle safety inspection – Start of Day and End of Day
 - Electronic Work Diaries – Fatigue Management
 - On Board Mass Management – Logging weights or reading weights from vehicle scales
 - Logging other compliance such as FBT (Business and Private Use of passenger vehicles)

Technology

What role might technology offered by your business play in the future RUC retail market? Does your (current or planned) provision of RUC retail services use technology that you supply to measure and report distance, or support the reporting of distance from existing equipment (e.g. odometers or OEM telematics systems)? If so, can you summarise:

- how the technology works
- what data is collected
- What services you provide with the technology in connection with revenue collection (e.g. distance measurement, tolling, congestion charging, refunds)
- how you ensure the reliability and security of the system
- how revenue security is protected
- how user privacy is protected
- what benefits it offers customers compared to the existing system

- whether the technology is stand-alone or integrated into existing devices (cars or phones)
- whether it requires professional installation (if it is not integrated) and whether it requires any modifications to be fitted for the purpose of providing RUC retail services for light vehicles

Please describe any examples of where and when this technology has been applied in practice for RUC or similar purposes, to generate actual revenue.

IntelliTrac would provide a specialised GPS Telematics device which plugs into the vehicle OBDII or Can Bus in order to extract actual vehicle odometer. The solution would be catered for modern vehicles where actual odometer may be read directly from the vehicle. If this is achievable then tampering of the system would not alter any distance readings since once the telematics device is re-instated, it simply reads the odometer value from the vehicle can bus.

Where vehicles are older and odometer cannot be extracted from the canbus, then telematics devices would require seals and would require alerts etc. to be generated if unplugged or tampered with. Since GPS based odometer readings are not exactly displayed as per vehicle odometer, there would need to be an periodic calibration of electronic odometer data as compared to GPS odometer data. Studies and calculations show that the average discrepancy is approximately 3%. For example: At each RUC credit top up the road user would be requested to confirm the vehicle odometer via the RUC App.

Data collected would be GPS Location, Distance, Hours of Operation, Speed. GPS data can be cross referenced to GIS Mapping data to calculate distances travelled off road in order to claim RUC credits.

Data is collected and sent to the IntelliTrac cloud servers which it is processed and RUC reminders are issued to road users via email, SMS and push notifications. We can also issue alerts to drivers via a buzzer in the telematics device. Eg: 1 beep...RUC credit running Low. 2 Beeps RUC payment failed. 10 beeps - Zero RUC Credits. These can be activated upon starting the vehicle.

Our aim would be to integrate into automated payment gateways to collect RUC on behalf of NZTA.

Each vehicle would be provided a QR Code which would be attached to the vehicle windscreen which law enforcement officers may scan and retrieve RUC charges history, vehicle make, model, VIN, registration, odometer and other data etc.

End users will also be provided an App where they can view and manage their RUC and confirm odometer values reported by GPS as compared to what is visible on the odometer.

We currently provide Fuel Tax Credits reporting in Australia

We currently provide payment gateways, automated direct debits etc. for our clients in Australia within our telematics billing platform and our AutotradeOnly vehicle disposal platform in Australia.

Revenue would be protected ideally by NZTA providing a payment gateway API which IntelliTrac would have direct access too. IntelliTrac would be a conduit to the collection and funds would transfer directly between the road user and NZTA.

User privacy is protected via IntelliTrac and NZTA Privacy Policy and certification to ITSM standards such as ISO27001 or SOCII. All staff having access to personally identifiable information should be Police checked. IntelliTrac is the telematics provider to Australian Police and all staff are security cleared.

IntelliTrac's OBDII device for general consumer, passenger vehicles and light commercial vehicles is a DIY installation. Heavy vehicles will require professional installation.

Barriers

To inform the policy, legislative and regulatory settings, we are interested in your view about the barriers to you achieving your commercial aspirations as a RUC retail services provider. What legal, administrative or policy setting would need to change or be made easier to enable you to invest in offering RUC retail services?

Clear requirements specifications, policy and procedures for approval and expedited approvals.

Streamlining compliance requirements with digital tools.

- Introducing a "sandbox" environment for testing new RUC services without regulatory penalties.
- Providing tax incentives or grants for small providers to innovate in the RUC space

NZTA

NZTA plays an important role in RUC services as the Government's RUC collector.

Under current arrangements NZTA is responsible for:

1. Approving (or declining) any RUC retailer application and appointing and contract managing Agents (some of whom operate under a contract and are paid a commission for RUC sales);
2. Providing RUC retail services to customers directly (through its website and App);
3. Collecting and administering the RUC revenue; and
4. Receiving the statutory fee for RUC transactions.

The Government is keen to ensure NZTA's activities don't crowd out the role of third parties in the provision of RUC services. Are there measures that the Government should take to ensure NZTA's activities enable and encourage other RUC retailers to participate?

1. NZTA to provide a payment gateway API to all eRUC providers. This will streamline payments and create a uniform service provider solution.
2. eRUC devices will need to be provided to consumers. These would cost approximately \$100 in volume. These should be provided to consumers by NZTA free of charge or at a reduced cost
3. eRUC devices will have on going costs due to sim card/connectivity and these costs will need to be borne by the consumer
4. The eRUC service provider when dealing with consumers would make a minimal margin and hence should be paid a small percentage of RUC collected in order to validate a business case.

Revenue security

How can the RUC retail market assist with balancing a user-friendly system with ensuring revenue security?

A user-friendly consumer solution would be Web App and Phone App Based which will extract distance information from an on board telematics device and remind road users to pay their RUC. A payment gateway would provide a seamless and secure method for NTZA to collect revenue.

Revenue security would be further emphasised by data collected by the telematics device connecting directly into the vehicle CanBus.

A QR code on the vehicle will allow law enforcement officers to conduct random checks to ensure RUC is paid and up to date.

Consumer protection and support

Do you have any initial views on how you might ensure appropriate protection of consumers (e.g. complaints, remedy mechanisms)? Would you offer different payment options to enable consumer flexibility and choice in RUC purchases?

IntelliTrac would provide a RUC support team to handle any customer complaints. It is envisioned that the most common complain would be telematics devices which have been lost or stolen or occasionally faulty. A remedy mechanism would be to send new device to the consumer.

Other complaints may be incorrect odometer displayed. This may be due to devices losing connectivity to vehicle CanBus or OBDII port. Under such cases the device would revert to calculating odometer based on GPS and this would typically be 3% less than the actual vehicle odometer.

Payment options using an electronic method would be based on our recommended methodology for NZTA to provide a payment gateway and offer various methods of payment such as Credit Card, Poli, direct debit etc.

[Optional] Additional information

If there is other material you would like to make us aware of in considering the policy, regulatory and legislative settings to enable greater third-party provision of RUC services, please feel free to include it below. Avoid attaching company brochures and other advertising material. We can only receive 20MB via email.

None at this stage

2.2 Assumptions

Assumptions

Please state any assumptions you have made in relation to the Response.

Our assumption is that

1. NTZA provide a payment gateway API to all eRUC providers. This will streamline payments and create a uniform service provider solution
2. eRUC devices will need to be provided to consumers. These would cost approximately \$100 in volume. These should be provided to consumers by NZTA free of charge or at a reduced cost
3. eRUC devices will have on going costs due to sim card/connectivity and these costs will need to be borne by the consumer. Approximately \$15 per month.
4. The eRUC service provider when dealing with consumers would make a minimal margin and hence should be paid a small percentage of RUC collected in order to validate a business case.

SECTION 3: Respondent's declaration

Topic	Declaration	Respondent's declaration
RFI-Terms:	I/we have read and fully understand this RFI, including the RFI-Terms. I/we confirm that the Respondent agrees to be bound by them.	agree
Conflict of Interest declaration:	The Respondent warrants that it has no actual, potential or perceived Conflict of Interest in submitting this Response. Where a Conflict of Interest arises during the RFI process the Respondent will report it immediately to the Buyer's Point of Contact.	agree
Details of conflict of interest:	Not Applicable	

DECLARATION BY THE RESPONDENT

I/we declare that in submitting the Response and this declaration:

- the information provided is true, accurate and complete and not misleading in any material respect
- the Response does not contain any material that will infringe a third party's intellectual property rights
- I/we have secured all appropriate authorisations to submit this Response, and to make the statements and to provide the information in the Response.

I/we understand that the falsification of information, supplying misleading information or the suppression of material information in this declaration and the Response may result in the Respondent being eliminated from further participation in any procurement process flowing out of the RFI, and may be grounds for termination of any Contract awarded as a result of such a procurement process.

By signing this declaration the signatory below represents, warrants and agrees that they have been authorised by the Respondent to make this declaration on its/their behalf.

s 9(2)(a)

Signature: _____

Full name: _____

Title/position: _____

Name of organisation: IntelliTrac New Zealand Limited _____

Date: 10-12-2024 _____

IN CONFIDENCE



25 March 2025

OC250208

Hon Chris Bishop

Action required by:

Minister of Transport

Wednesday, 2 April 2025

TRANSITION TO ROAD USER CHARGES – OVERARCHING POLICY CHOICES

Purpose

To provide you with a set of choices for the road user charges (RUC) system in preparation for the transition of the light vehicle fleet.

Key points

- The Government has committed to transition all petrol vehicles to RUC to ensure all road users face fair charges that are based on their road usage.
- Bringing an additional 3.5 million predominantly privately-owned vehicles into the RUC system presents an opportunity to improve and modernise it to ensure a user-friendly experience and to maximise compliance.
- Our recommended system design pathway would move the system towards full electronic pricing in the longer-term. However, we recommend the 2027 transition focuses on ensuring the manual system is fit-for-purpose while simultaneously promoting voluntary eRUC uptake.
- We expect this will require:
 - improvements to the retail experience s 9(2)(f)(iv) and removing the requirement to display physical licences)
 - back-end improvements to NZTA's systems to ensure they can support additional demand and can appropriately monitor compliance
 - changes to admin fees, regulatory settings and institutional arrangements to ensure there are low barriers to entry for third-party RUC retailers
 - strengthening tools to deal with repeated, intentional non-compliance.
- This will be a significant change for the majority of the country's road users who will have to understand and actively comply with new obligations. Given this, we recommend light-touch but broad-reaching public engagement that both informs the public of the case for change, and seeks feedback on how they would like to interact with the RUC system.

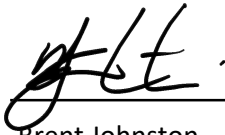
IN CONFIDENCE

- We would like to discuss the approach to engagement at an upcoming Officials' meeting, including ways we can support a broad public conversation that reaches a range of New Zealanders.
- Subject to your feedback, we will provide you with a draft Cabinet paper by the week of 14 April 2025 seeking endorsement to the overall approach, and approval to undertake public engagement. We will continue to progress work on the transition approach and refining the compliance and enforcement strategy and provide further advice in early June.

Recommendations

We recommend you:

- 1 **agree** that the focus for system settings ahead of the 2027 fleetwide transition to RUC be on ensuring the manual system is fit-for-purpose while simultaneously promoting voluntary uptake of eRUC Yes / No
- 2 **agree** to progress the following system design improvements ahead of the 2027 transition:
 - s 9(2)(f)(iv) Yes / No
 - removing the requirement to display physical licences Yes / No
 - developing a licence lookup facility (integrated with Police systems) to verify compliance and enable users to check their current licence (in the absence of physical licences) Yes / No
- 3 **note** we will provide you with further advice on 9 April 2025 on:
 - funding via section 9(2) of the Land Transport Management Act 2003 to prepare for and implement NZTA system improvements
 - ensuring an appropriate level of assurance across implementation planning.
- 4 **agree** to progress changes that will promote greater market involvement of third-party RUC retailers (including changes to admin fees, regulatory settings and institutional arrangements) Yes / No
- 5 **agree** to undertake public engagement on the RUC transition in May-June 2025, with a focus on informing the public of the transition and seeking feedback on how users would like to interact with the system Yes / No
- 6 **note**, subject to your direction on the above topics, we will provide you with:
 - a draft Cabinet paper seeking endorsement of the overall approach and approval to engage with the public by the week of 14 April 2025.
 - a second tranche of advice in early-June on progressing the RUC transition, including a proposed approach to timing and phasing. This would lead to detailed Cabinet policy decisions in August.



Brent Johnston
Chief of Staff

25 / 03 / 25

Hon Chris Bishop
Minister of Transport

..... / /

Minister's office to complete:

- ☐ Approved
 ☐ Declined
☐ Seen by Minister
 ☐ Not seen by Minister
☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Brent Johnston, Chief of Staff	s 9(2)(a)	
Matt Skinner, Manager RUC Transition		✓

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OFFICIAL INFORMATION ACT 1982

TRANSITION TO ROAD USER CHARGES – OVERARCHING POLICY CHOICES

The Government's decision to move all vehicles to road user charges provides an opportunity to improve and modernise the system for all users

- 1 The Government has decided to transition all light vehicles to road user charges (RUC) from 2027 so that all road users face fair and consistent charges based on their road use [CBC-24-MIN-0063 refers].
- 2 Bringing an additional 3.5 million vehicles into the RUC system presents an opportunity to improve and modernise it to ensure a user-friendly experience and to maximise compliance.
- 3 You have a range of choices about how to design the system, including:
 - the extent and speed at which you move the system towards electronic road pricing
 - the extent to which the system enables RUC service provision by third-parties
 - the role of the New Zealand Transport Agency (NZTA) in RUC retail and regulation, including the level of compliance and enforcement activity.
- 4 We are also aware that you are considering wider reforms to the way we price, plan, invest and deliver roads. s 9(2)(f)(iv)

The existing RUC system is largely manual for the light vehicle fleet, while there is more use of electronic options for commercial and heavy vehicles

- 5 Customers can currently purchase RUC:
 - from NZTA directly (online or over the phone)
 - from over-the-counter agents (eg, NZ Post, Automobile Association, VINZ, VTNZ) who are contracted by NZTA and paid a commission per RUC transaction
 - via electronic RUC (eRUC) providers who measure the distance travelled by customers via an electronic distance recorder (typically using Global Navigation Satellite System technology), are liable for debt to NZTA, and are regulated by NZTA. There are three eRUC providers operating in New Zealand and their services are primarily used by the commercial/heavy vehicle fleet.
 - via electronically assisted RUC (eaRUC) providers who facilitate purchases through applications connected to NZTA's transaction portal. Unlike eRUC (where the provider measures the distance travelled), eaRUC relies on odometers as the official distance recorder. The eaRUC market is at an early stage and there is just one provider. However, the concept of an eaRUC provider is not recognised in regulation and market participants have provided feedback that the approval process is unclear.

6 NZTA is currently progressing pre-funded improvements to the NZTA App that will make incremental but basic improvements to its retail offering. These include:

- displaying within the NZTA App vehicles that are linked to the registered user
- purchasing RUC licences within the NZTA App
- viewing current RUC limit levels within the NZTA App
- push notification reminders for RUC purchases.

There is a pathway to move to full electronic road pricing in the future

7 Moving New Zealand to an electronic road pricing system could enhance data collection to support compliance, simplify revenue collection, ^{s 9(2)(f)(iv)}

8 However, there are barriers to moving all users to electronic road pricing in the near term, including:

- Locking-in the use of on-board units (OBUs) to measure distance when more efficient technology might emerge (technology obsolescence and capture).
- A lack of incentives for individuals to use eRUC when manual alternatives are cheaper and not much more difficult to use.
- Privacy and security concerns – noting we have had limited engagement with the Privacy Commissioner on this matter.
- Timing – it could take 5–10 years to implement the necessary technology and systems to support the entire fleet.
- Needing an exemption regime for vehicles where it would not be efficient or practical to use eRUC (eg, vintage vehicles).
- Needing to have a provider of last resort arrangement in place – which would likely result in needing to decide whether NZTA is the default provider and the level of service offered by NZTA.

9 Most of the above applies to both mandating eRUC for the entire fleet, or segments of the fleet in a phased approach. Given this, we do not consider it feasible to mandate eRUC for the initial transition from 2027.

10 However, we can set up a pathway that enables a future transition to electronic road pricing. The A3 at **Annex 1** outlines our recommended system design pathway, with the 2027 transition focused on ensuring the odometer-based system is fit-for-purpose while simultaneously promoting eRUC uptake.

11 We note the proposed 2027 transition will still be a significant change for most the country's road users and should not be underestimated. It is also a significant change to implement (in terms of both regulatory and operational changes) in a short period of time.

In the short-term, we recommend improvements to the odometer-based RUC system...

- 12 We expect NZTA's largely manual system will be the default for many users at the point of transition. Given the RUC system is dependent on users initiating action, a user-friendly experience will be important to ensure general acceptance and to support users to comply.
- 13 Beyond the pre-planned improvements to NZTA's retail offering through its App (outlined in paragraph 6), we recommend focusing on the following targeted system design improvements that we expect to require regulatory changes:

- s 9(2)(f)(iv)

- **Removing the requirement to display physical licences:** This will reduce the administrative cost associated with purchasing a licence (eg printing and postage), make it easier for users to comply and remove barriers to innovative technology solutions.
- **Developing a licence lookup facility:** This would include integration with Police systems to verify compliance and enable users to check their current licence. This would enable enforcement (despite the removal of physical licences) while giving users visibility into their compliance status.

- s 9(2)(f)(iv)

- 14 We see these as 'no-regrets' improvements that will both benefit existing RUC users, and smoothly transition of a wider pool of users into the RUC system.

15 s 9(2)(f)(iv)

16

- 17 You and the Minister of Finance previously agreed not to progress a NZTA Budget 2025 bid for funding for NZTA system improvements. Instead, you directed that funding be considered via section 9(2) of the Land Transport Management Act 2003. We will provide you with separate advice on this on 9 April 2025, including the scope of funding and how you ensure an appropriate level of assurance across implementation planning.

...while ensuring the system settings are in place to promote voluntary eRUC uptake

- 18 For many users, eRUC may be an attractive option to simplify and manage their RUC obligations. eRUC currently has low uptake for light diesel and electric vehicles as it cannot compete with the manual system on price. However, greater uptake has been seen with heavy and commercial vehicles where eRUC providers typically compete by coupling RUC services with wider product offerings, such as fleet telematics.
- 19 We propose changes to lower barriers to entry for eRUC providers and enable greater voluntary uptake of eRUC in the short-term. The volume of new vehicles entering the RUC system may also lead to new, low-cost and convenient eRUC options for light vehicles.
- 20 In particular, we recommend clarifying the regulatory approval requirements for eRUC retailers, ensuring the regulatory requirements for eRUC retailers are fit-for-purpose, and streamlining access to NZTA systems needed to enable RUC purchases (more detail provided at paragraph 24).
- 21 Nonetheless, it will take time to get to a fully electronic fleet. We have considered options to accelerate uptake by offering financial incentives (eg, reduced RUC rates). We do not recommend this at this stage as it would be costly for government while not generating significant benefits (ie, the impact on revenue generation due to better compliance through eRUC is expected to be limited). However, legislative changes could be designed to enable differential RUC rates for eRUC vs manual RUC to be set in the future.

More third-party involvement will benefit road users, and changes to fees, regulatory settings and institutional arrangements could encourage this

- 22 We consider the Government should not focus on who can or cannot sell RUC, but focus on what is important to the consumer:
 - access to RUC services (eg, RUC is sold in convenient locations for them)
 - efficiency of RUC retail services (eg, the cost of managing RUC is efficient and there are incentives for sellers to innovate to continuously manage this).
- 23 To achieve this, we should aim to develop a market with the following characteristics:
 - The market needs to have more than one provider.
 - Market participants must compete on the same basis and there must be low barriers to entry.
 - There should be appropriate checks and balances in place to ensure consumers rights and interests are protected (eg, privacy).
 - Arrangements will be needed to ensure coverage if the market does not provide it.

24 Considering feedback from a market sounding exercise at the end of 2024, we have identified the following changes to fees, regulation and institutional arrangements to ensure a level playing field in the RUC retail market:

- s 9(2)(f)(iv)

- **Database access:** Facilitating third-party retailer access to NZTA's databases to enable product improvement, and reviewing the fees charged for access to these databases.
- **Updating regulatory settings:** Ensuring legislation keeps step with emerging and potential future technology options and that regulation applies consistently across different retail types.
- **Changes to institutional arrangements:** Considering moving the regulation of RUC retailers out of NZTA (to avoid conflicts of interest between NZTA's retail and regulatory responsibilities), and investigating moving procurement of third-party retail (including over-the-counter retail) to another agency (to avoid NZTA continuing to contract with its competitors).

25 Even with these changes, government may need ongoing arrangements to maintain over-the-counter retail services to encourage easier purchase (eg, supermarkets and fuel retailers) and for those with limited ability to use app- and web-based systems. It could also be necessary to contract with app- and web-based providers to encourage their uptake.

26 The types of arrangements needed will likely depend on the outcome from the review of RUC administration fees. That is, whether or not third-parties require a commission to participate in RUC retail may depend on whether they can make a margin from their own fees on top of the administration fee NZTA charges to third-party retailers.

27 Importantly, market sounding respondents were of the view that NZTA's current role as RUC retailer disincentivised competition. Specifically, they noted a real risk that existing and future investment in NZTA's retail product (via its App improvements) make NZTA a clearly dominant eaRUC provider, crowding out the ability for viable competition in eaRUC.

28 Given NZTA's significant role in the market and the proximity of the transition, we do not recommend NZTA be prohibited from the RUC retail market. Removing NZTA from the RUC retail landscape at this time could create significant operational risks and lead to higher non-compliance.

29 The retail improvements via the NZTA App are also important to ensure a smoother default transition for users. However, there are options for how far NZTA's retail offering goes. We will provide further advice on this as part of the decisions you make on funding for NZTA system improvements.

30 Our recommendations to consider shifting procurement and regulatory functions away from NZTA may also go some way to addressing market concerns.

s 9(2)(f)(iv)

- 33 Current enforcement primarily relies on Warrant of Fitness checks (the main point at which NZTA receives an odometer reading to confirm RUC compliance). Police have a dedicated unit to enforce safety regulation for heavy vehicles (including some RUC enforcement) but s 6(c)
- 34 A portion of non-compliance is unintentional, and this revenue can generally be recovered effectively (approximately 70 percent of late revenue is currently collected after follow-up invoices).
- 35 To support people to comply, our primary focus is on designing a system that is as easy and cheap as possible to comply with. However, a shortfall of the current system is the lack of severe enforcement tools to deal with the small minority who repeatedly and intentionally do not comply. We have analysed a range of powers that could be introduced. Once you have confirmed the direction of the 2027 transition, we will finalise our recommendations for a commensurate compliance and enforcement approach.

You may wish to engage the public to test the direction

- 36 The fleetwide transition to RUC will be a significant change for most of the country's road users who will have to understand and actively comply with new obligations.
- 37 To date, there has not been any meaningful public engagement and we are aware that there is limited public awareness of the upcoming change. This is a risk that has been raised by the Stakeholder Reference Group.
- 38 Therefore, we recommend you consider undertaking public engagement on the key design parameters of the RUC transition ahead of final policy decisions. We recommend this engagement be light touch but broad reaching, with a focus on user feedback on the current RUC framework, and how users would like to interact with the system in the future (eg, preferred purchase platform, increments of purchase, payment methods).
- 39 This also presents an opportunity to set out the case for change, start a public conversation, and kickstart an ongoing communications campaign through to 2027 and beyond.

40 If you support this approach, we will provide you with a draft Cabinet paper by 16 April 2025 seeking:

- endorsement to the proposed direction for the RUC transition
- approval to engage with the public.

41 As part of fostering a productive public conversation and to support an enduring change, you may wish to consider if cross-parliamentary consensus would be desirable.

Next steps

42 The following table summarises the timeline through to the end of 2025:

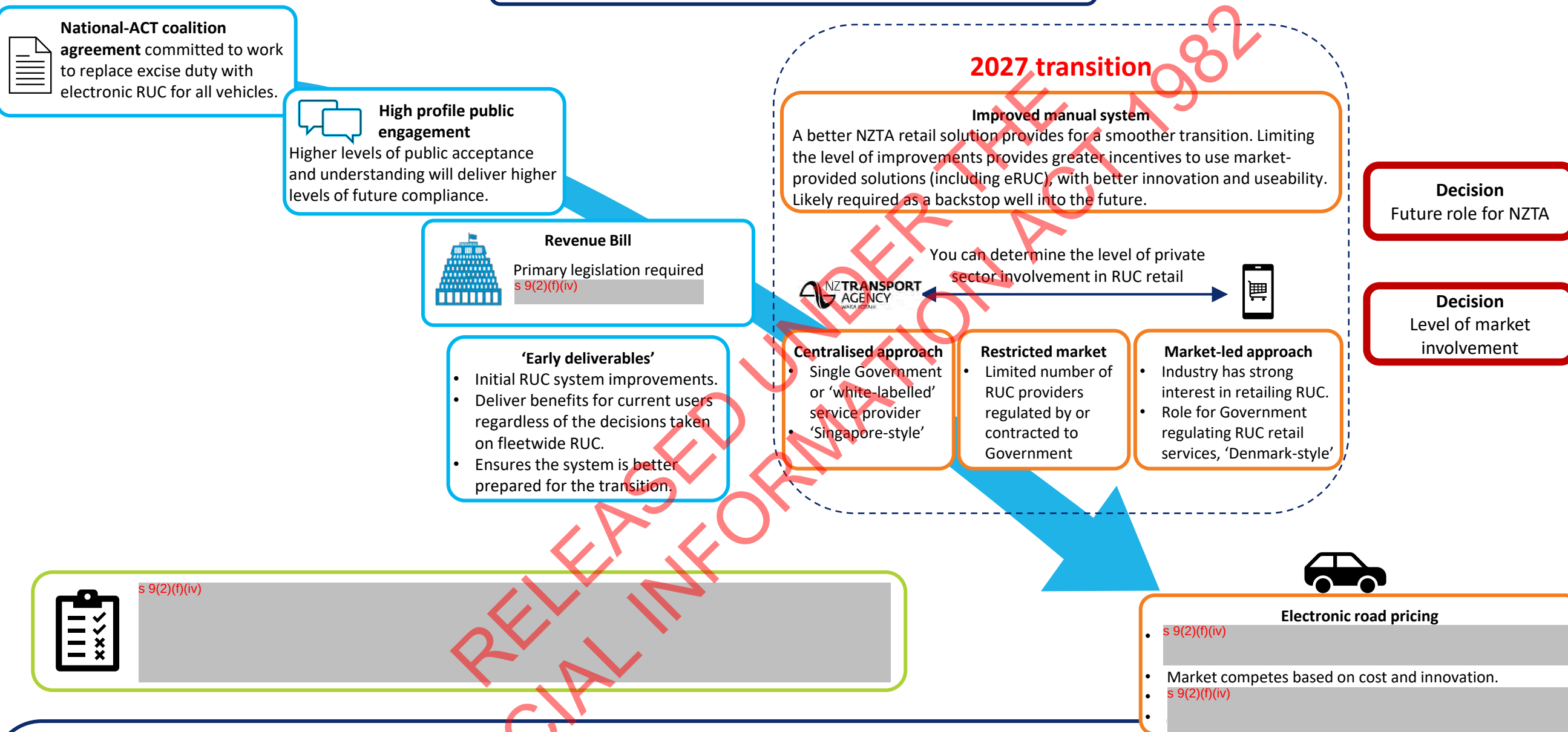
Key milestones	Date	Deliverable
Tranche 1 advice to Minister (this paper)	26 March	Direction on overarching system design
Advice on funding to implement NZTA system improvements and the approach to assurance across implementation planning	9 April	Advice on funding for implementation and assurance of implementation readiness
Draft Cabinet paper to Minister seeking approval of high-level policy decisions and to consult Cabinet	16 April	Cabinet decisions on overarching system settings and agreement to consult the public
Stakeholder and/or public engagement	19 May	
Tranche 2 advice to Minister s 9(2)(f)(iv)	May-June	Public engagement
Summary of engagement to Minister	early June	
Draft ECO Cabinet paper to Minister	early July	
Cabinet	early July	
	18 August	Detailed policy decisions and approval to draft legislation
s 9(2)(f)(iv)		
		s 9(2)(f)(iv)

s 9(2)(f)(iv)

Annex One: Transition of petrol vehicles to RUC

March 2025

SYSTEM DESIGN PATHWAY



RECOMMENDATIONS:

- We recommend a pathway that provides the **simplest and most user-friendly version of the current system**, and incentivises the adoption of eRUC.
- You can **signal a strong step towards an electronic charging system**, including through enabling system settings. s 9(2)(f)(iv)
- NZTA has a key retail role to play in the transition, but there are benefits to greater third-party involvement.
- We recommend you agree to:**
 - undertake public engagement on the RUC transition in May-June 2025
 - progress some RUC system improvements, including lowering barriers to entry for third-party retail of RUC
 - progress regulatory improvements to enable all vehicles to move onto an improved version of the RUC system, while encouraging adoption of eRUC.

s 9(2)(f)(iv)



9 May 2025

OC250405

Hon Chris Bishop

Action required by:

Minister of Transport

Monday, 19 May 2025

INTERIM ADVICE ON REVENUE TOOLS

Purpose

Seeks your feedback on which of the existing and potential revenue tools available to fund transport investment you would like further advice on.

Key points

- The right package of revenue and demand management tools should achieve the following objectives:
 - **Efficient:** Tools should maximise net revenue and improve network efficiency at least cost.
 - **Fair and transparent:** People should understand how prices are set, and should pay in proportion to the benefits they receive and the costs they create.
 - **Easy to engage with:** It should be as easy as possible for people to pay and comply.
- This briefing provides a rapid assessment of revenue tools against these objectives, as well as their revenue potential.
- This includes both existing (**Annex One**) and potential revenue tools (**Annex Two**). The scope of potential tools is deliberately “blue skies” and includes tools we would likely strongly advise against in more developed advice. The high-level ratings presented could vary depending on detailed policy design.
- Generally, your ‘biggest bang for buck’ tools are already in use (like Fuel Excise Duty (FED) and Road User Charges (RUC)), and all revenue options are constrained by the size of our population and their ability to pay.
- In the **short- to medium-term**, given existing spending commitments, you could look at opportunities to enhance how we use existing tools (e.g. increasing FED rates or recalibrating different charges like RUC or motor vehicle licensing). However, reassessing spending priorities or phasing projects may balance the books sooner.
- In the **longer-term**, you could consider introducing new tools. However, they will take time and resource to implement (typically requiring primary legislation) and there are limits to their feasibility and potential to collect additional revenue.

- The analysis we have provided is very preliminary. There would be other considerations to address in future advice, such as consistency with other government policy settings, public acceptability, broader economic and social impacts, and impacts on international and trade commitments for some tools (e.g. tariffs).
- This paper focuses on revenue tools that could be used in the current system. However, the road reform work programme will consider changes to how we price, plan and invest in roads.
- Reform could unlock both new tools and ways in which all revenue tools could be deployed. For example, dynamic electronic road pricing may prove to be more efficient and fairer than existing RUC, while a commercialised entity may be able to use debt to smooth investment expenditure over a longer time frame (e.g. 30 years) by borrowing against future revenue flows. Road reform may also ease the need to raise additional revenue in the longer-term by addressing other issues in the system (e.g. inefficiencies in delivery and selection of projects).
- In the time available we have not been able to bring together a picture of how the expenditure funded from the National Land Transport Fund (NLTF) has changed over time, but that will be available next week.

Recommendations

We recommend you:

- 1 **provide feedback** on areas you would like to receive further advice on, and which areas you would explicitly rule out at this time.

Yes / No

Paul O'Connell

Paul O'Connell
Deputy Chief Executive, Sector Strategy

9 May 2025

Hon Chris Bishop
Minister of Transport

..... / /

Minister's office to complete:

- ☐ Approved
 ☐ Declined
☐ Seen by Minister
 ☐ Not seen by Minister
☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Paul O'Connell, Deputy Chief Executive, Sector Strategy	s 9(2)(a)	✓

ANNEX ONE – Summary of existing revenue tools

	Meets objective		Mostly meets		Partially meets		Does not meet	N/A	Criteria not applicable
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	Revenue tool	Indicative revenue potential	Efficient	Fair and transparent	Easy to engage with	Opportunities to increase revenue
User charges	Fuel excise duty (FED)	\$\$\$	100% compliance, very low collection and implementation costs.	Mixed – is based on average fuel consumption levels. Some users pay much more than others despite driving the same distance. Incentivises drivers to buy fuel efficient vehicles.	Built into the cost of fuel. No compliance burden on individuals.	Increase rate. Note, increases are already planned: 12c/L – 2027; 6c/L – 2028; and 4c/L annually from 2029. Every cent increase raises \$60 million.
	Road user charges (RUC)	\$\$\$	Compliance and implementation costs are reasonable but not as good as FED.	Users pay based on distance travelled, but not where and why they travel. Prices in the current system are not fully cost-reflective but they could be made more so.	Currently requires people to take active steps to meet their obligations (although this can be somewhat mitigated with improvements).	Increase rates. Recalibrate rate bands.
	Public transport fares	\$	Some lost revenue through non-compliance and different transaction costs.	Transparency around rates (e.g. zone systems, on vs off-peak). Subsidies mean people do not fully pay in proportion to the benefits they receive and the costs they create.	Requires some manual engagement with the system (e.g. topping up payment cards).	Increase farebox recovery and/or premium rates to certain locations (e.g. airports) – note, GPS 2024 did set expectations for councils to increase farebox recovery.
	Annual vehicle licensing	\$\$	Some lost revenue through non-compliance. Some ongoing administration costs (e.g. over the counter sales, postage for manual label).	Charges are not proportionate to actual use of the land transport system.	Requires people to take active steps to meet their obligations.	Increase rates (e.g. Australian annual fees are up to 8x higher). Note, increases in 2025 and 2026 more than double previous rates. Note – may require legislative change. Expand into vehicle license auctions for specific license types (Singapore-style system).
	Tolling (NZTA-run)	\$	Relatively high proportion of revenue is currently spent on administration.	People pay to use a higher quality road than alternative routes. However, prices only partially reflect costs to system.	Requires some manual engagement with the system (especially for casual users).	Add toll roads (including existing roads). Increase rates (e.g. by allowing NZTA greater discretion to increase rates in response to demand).
	Time-of-use charging	\$	Improving network efficiency is a clear purpose of any scheme established under the Bill. Administrative efficiency will depend on scheme design but will use same back-office as tolling, and may require high upfront costs.	Users pay based on when and where they travel. However, depending on design, the prices may not be fully cost-reflective.	Requires some manual engagement with the system (especially for casual users).	Revenue raising is specifically not a purpose of the current time of use charging system.
	Parking fees and fines	\$	Some lost revenue through non-compliance. Requires manual enforcement.	Prices are reasonably transparent but not typically cost-reflective.	Requires some manual engagement with the system (i.e. paying at meter).	Review parking fines and/or allow councils to set them.
Beneficiary pays	Development levies and targeted rates	\$	Implementation costs could be relatively low.	Depends on design. Targeted to the people that benefit. Prices can be reasonably transparent but aren't necessarily cost-reflective.	Likely to be built into existing rates bills.	
Taxation	Council contributions (via local rates)	\$\$	High compliance and low collection costs.	People do not pay based on use or fully in proportionate to the benefits they receive. However, given rating is based on property value this can capture some realised benefits.	Sourced from existing rates payments.	Reviewing Funding Assistance Rates (FAR) could require councils to pay a larger contribution towards local roads.
	Crown grants (via general taxation)	\$\$	High compliance and low collection costs.	People do not pay based on use or in proportion to the benefits they receive or costs they impose.	Sourced from existing tax mechanisms.	
Other	Toll road concessions (one-off revenue rather than ongoing)	\$\$	Implementation costs are largely limited to the costs of the transaction/contracting process. However, this process may be complex and the cost may be significant depending on the complexity and nature of the transaction.	People pay to use a higher quality road than alternative routes. However, prices only partially reflect costs to system.	Requires some manual engagement with the system (especially for casual users) but private providers may have greater incentives to enhance user-friendliness of the toll roads they operate.	Increase toll rates and/or offer longer-term concessions. Other features like shadow tolling or traffic underwriting may also increase the value of the concession, but this will be tested through the upcoming market sounding.

	Revenue tool	Indicative revenue potential	Efficient	Fair and transparent	Easy to engage with	Opportunities to increase revenue
	Sale of NZTA-owned land (one-off cash inflow rather than ongoing revenue)	\$	Legal complexities.	N/A	N/A	
	Advertising and/or naming/sponsorship rights	\$	Implementation costs are largely limited to costs of contract management.	Companies will be willing to pay for advertising and/or sponsorship rights in proportion to the benefits they receive.	N/A	

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OFFICIAL INFORMATION ACT 1982

ANNEX TWO – Summary of potential other revenue tools

	Revenue tool	Indicative revenue potential	Efficient	Fair and transparent	Easy to engage with	Comments
User charges	Dynamic road pricing	\$\$\$				Would require complex design and legislative changes, not feasible to implement in the near-term.
	Regional fuel taxes (with proceeds funding projects within the region)	\$				Has same fairness issues as existing FED, somewhat exacerbated by ultimately arbitrary border issues.
	Low emissions zones	\$				Would effectively double charge for emissions impacts as there is existing pricing through the Emissions Trading Scheme.
	Annual licensing fee for bikes, e-scooters etc.	\$				Difficult to enforce, complicated to implement (including how to treat vehicles used only off-road). Requires people to take active steps to meet their obligations.
	Workplace parking levy	\$				Difficult to design. Charges for parking on private land would not be considered proportionate to the costs imposed on the system.
Beneficiary pays	Value capture / land value uplift	\$				Benefit allocation is very difficult. Relatively high administrative costs.
	Betterment levies (i.e. targeted value capture from a specific project)	\$				Could be more efficient and fairer than other options. Design and implementation could be challenging.
Taxation	Hypothecation of other tax revenue (e.g. GST, International Visitor Levy)	\$				Depending on design, could be more or less efficient and fair – e.g. a stronger justification for hypothecating International Visitor Levy for popular tourist routes than for other roads.
	Import duties/tariffs (e.g. on vehicles or parts)	\$\$				Note – only ranks well on efficiency in terms of ease of collection. Does not rank well in terms of broader economic efficiency. Would have implications for broader economy, trade obligations and consumer welfare.
	Other new taxation tools (e.g. national infrastructure levy, windfall taxes, stamp duty, vacant land tax)	\$\$				Could conflict with other government priorities. Would also face challenging decisions around whether to use this revenue for transport or other expenditure priorities.
Other	Data sale or monetisation (e.g. MVR)	\$			N/A	May run up against privacy issues. Would typically provide upfront revenue rather than an ongoing revenue stream, and may have continuing licensing costs.
	Sale or lease of development/air rights	\$			N/A	
	Land acquisition, up-zoning and resale	\$			N/A	
	Crowd-sourced infrastructure micro-investments/fundraising	\$			N/A	



30 May 2025

OC250462

Hon Chris Bishop
Minister of Transport

Action required by:
Tuesday, 3 June 2025

DRAFT CABINET PAPER: NEXT STEPS IN TRANSITIONING ALL VEHICLES TO ROAD USER CHARGES

Purpose

This briefing provides you with a draft Cabinet paper seeking agreement to a plan to move the vehicle fleet to a modernised road user charges (RUC) system.

Key points

- You have indicated that your priority for the RUC system is to get the system settings right before progressing with the fleetwide transition.
- The attached draft Cabinet paper seeks Cabinet's agreement to an overarching transition plan in which:
 - o Initial changes to support the transition to RUC are s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].
 - o You will report back to Cabinet in **August 2025** seeking legislative amendment to address the most immediate barriers in the RUC system to efficiency and competitive technological solutions to provide an update on progress and the next phase of the transition.

Recommendations

We recommend you:

- 1 **agree** to the overarching RUC transition approach outlined in the attached draft Cabinet paper – focusing on moving to a modernised system before transitioning the remaining fleet Yes / No
- 2 **agree**, subject to your changes, to commence departmental and Ministerial consultation on the draft Cabinet paper. Yes / No



Anna Wilson-Farrell
Director - Revenue, Sector Strategy
 30/05 /2025

Hon Chris Bishop
Minister of Transport
 / /

Minister's office to complete:☐ Approved☐ Declined☐ Seen by Minister☐ Not seen by Minister☐ Overtaken by events**Comments****Contacts**

Name	Telephone	First contact
Paul O'Connell, Deputy Chief Executive, Sector Strategy	s 9(2)(a)	
Anna Wilson-Farrell, Director – Revenue, Sector Strategy		✓

DRAFT CABINET PAPER: NEXT STEPS IN TRANSITIONING TO ROAD USER CHARGES

The attached Cabinet paper sets out a pathway to transition to fleetwide RUC

- 1 The National-ACT coalition agreement includes a commitment to “Work to replace fuel excise taxes with electronic road user charging for all vehicles, starting with electric vehicles”.
- 2 In July 2024, Cabinet agreed to a Land Transport Revenue Action Plan, including “to work to transition all light vehicles from fuel excise to the road user charges system” and noted April 2027 as a target date to initiate the transition (CBC-24-MIN-0063 refers).

You have indicated you want to prioritise getting RUC system settings right over the pace of the transition

- 3 To meet a 2027 transition date, you would be limited in the changes you can make to the existing RUC system. The tight timeframe and significant task of shifting 3.5 million vehicles poses delivery risks and would mean transitioning vehicle owners to a largely manual system, with NZTA as the primary RUC retailer.
- 4 Instead, you have indicated you would prefer to take steps to enable competitive technological solutions within the existing system and then move the remaining fleet to RUC over time as technology and process changes improve the customer experience and lower the cost of collection.
- 5 The attached Cabinet paper outlines a transition pathway that would focus first on addressing the most immediate barriers to competition and efficiency.
- 6 The paper proposes that you report back to Cabinet in August 2025 seeking approval to amend legislation to address immediate barriers to competitive technological solutions. Our *Request for Information* process in late 2024 highlighted these exist and need addressing to enable a competitive RUC retail market. Based on work to date, we consider the most critical actions required through legislation are:
 - **removing the need to carry and display labels** — prescriptive legislative requirements mean users need either a label or a screen capable of displaying a label, which is a barrier to anyone other than NZTA retailing RUC
 - **modernising electronic device requirements** — existing legislative requirements, regulation, and an NZTA-issued Code of Practice are barriers to the use of competitive technological solutions, result in high-cost devices, and prevent market participants utilising more efficient solutions (such as use of in-vehicle telematics)
 - **ensuring appropriate RUC retail market settings** — ensuring a competitive playing field so providers can compete fairly and offer flexibility in the way they sell RUC (for example, as part of other packages, or utility-style bundling)

- **broadening the potential for alternative payment schemes** — enabling the market to offer account management solutions to road users rather than all RUC purchases being facilitated through NZTA.

7 In addition to the above critical improvements, and subject to likely cost and impacts, the legislative vehicle provides an opportunity to also progress legislative change that improve the existing system.

8 These changes would be followed by further Cabinet decisions and legislation in future to enable the transition. The Cabinet paper proposes that your August paper also updates Cabinet on progress and the next stage of the transition plan.

9 Decisions still need to be made about the date for transition (which could include having no hard switchover date). We will provide further advice in August.

Changes to the RUC system can take steps in the right direction...

10 Moving all vehicles to RUC will get achieve more transparent and fairer pricing than in the existing system, where most light vehicle owners pay Fuel Excise Duty (FED) as an increasingly poor proxy for road use.

11 The changes proposed above will also build momentum towards electronic road pricing, including supporting a competitive market of electronic RUC retail offerings.

s 9(2)(f)(iv)

13 The RUC transition itself will also not generate additional revenue; it will simply substitute one revenue source for another. Given the different cost to collect between RUC and FED (3% collection costs for RUC vs. 0.04% for FED), a transition to the current system could come with much higher costs to road users (a deadweight loss to the economy). Ensuring a competitive market when we transition will help reduce these costs.

14 Later this year we will provide further advice on transport funding and financing and how we price, invest in and deliver roading infrastructure:

- s 9(2)(f)(iv)

Next steps

- 15 The Government's quarter two action plan includes an action to "take Cabinet decisions on the fleetwide transition to Road User Charges."

- 16 To meet this deadline, we recommend the following timeline for the attached Cabinet paper:

Draft Cabinet paper provided to you	Friday 30 May
Departmental and Ministerial consultation	Tuesday 3 – Tuesday 10 June
Lodgement	Thursday 12 June
Cabinet Business Committee (CBC)	Monday 16 June
Cabinet	Monday 23 June

- 17 We will work with NZTA over the next month to ensure we have confidence ahead of your August report back about likely costs, legislative requirements and implementation details. For example, NZTA has a view of its internal operational requirements for removing labels, but further work is required to ensure NZ Police has necessary access to NZTA data to continue RUC enforcement.

- 18 We will prepare further advice and regulatory impact analysis to support you to seek detailed policy decisions in order to issue drafting instructions.

- 19 To progress legislative changes s 9(2)(f)(iv) we propose you seek the second set of Cabinet decisions by 18 August 2025 to allow time for drafting:

Draft Cabinet paper provided to you	Wednesday 16 July
Feedback to officials	Monday 21 July
Updated draft provided to you	Wednesday 23 July
Departmental and Ministerial consultation	Monday 28 July – Friday 1 August
Lodgement	Thursday 7 August
Cabinet Economic Policy Committee (ECO)	Wednesday 13 August
Cabinet	Monday 18 August
Drafting instructions issued	Week commencing 18 August



13 June 2025

OC250534

Hon Chris Bishop
Minister of Transport

Action required by:
Thursday, 19 June 2025

UPDATED DRAFT CABINET PAPER ON RUC TRANSITION

Purpose

This briefing attaches a revised draft of the road user charges (RUC) transition Cabinet paper following departmental and Ministerial consultation.

Key points

- We have completed departmental consultation on the draft Cabinet paper. An updated version which reflects this feedback is attached.
- Most departments generally supported the draft paper, and we have made minor changes to reflect some feedback.
- The main substantive changes we propose are to respond to feedback from Ministerial consultation, including:
 - presenting three broad pathways for transitioning to RUC (responding to feedback seeking a clearer narrative)
 - comments on the potential for the use of in-vehicle technology for new vehicles (responding to feedback relating to greater ambition in mandating certain technology)
 - inclusion of five key principles to guide the transition and next steps.
- We have included detail on three possible pathways for the transition to RUC, and the rationale for Pathway 2 – the recommended approach.

Recommendations

We recommend you:

- 1 **provide feedback** on the updated draft Cabinet paper
- 2 **agree** to lodge the Cabinet paper by 10:00am Thursday 19 June 2025 for consideration by the Cabinet Economic Policy Committee on 25 June 2025. Yes / No



Anna Wilson-Farrell
Director - Revenue
13 / June / 2025

Hon Chris Bishop
Minister of Transport
..... / /

Minister's office to complete:

- ☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

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Anna Wilson-Farrell, Director - Revenue	s 9(2)(f)(iv)	✓
Matthew Skinner, Manager - RUC Transition		

UPDATED DRAFT CABINET PAPER ON RUC TRANSITION

- 1 An updated version of the road user charges (RUC) transition Cabinet paper is attached, reflecting feedback from departmental and Ministerial consultation, which took place between 5 and 10 June 2025.

Departmental consultation

- 2 From departments, we received the following feedback and have made small corresponding amendments to the paper:
 - 2.1 **Treasury:** Supported the paper being clear that the shift to RUC will not necessarily increase revenue but is primarily about addressing fairness among road users (as efficient vehicles currently pay less fuel excise duty). They viewed the proposals, aimed at boosting competition and efficiency in the RUC retail market, as sensible “no regrets” changes.
 - 2.2 **Infrastructure Commission:** While supporting the RUC transition, the Commission suggested broadening the paper's scope. They highlighted the need to address potential revenue risks, improve enforcement, analyse private versus public e-RUC cost-effectiveness, clarify the retail market, and emphasise the “manual” RUC system's ongoing importance. These points will be picked up in the next stage of work and on the August 2025 Cabinet paper.
 - 2.3 **New Zealand Transport Agency (NZTA):** Suggested clarity about what is meant by the “manual” description of its RUC system, wanted stronger acknowledgement of revenue risks, and sought clarity on their future RUC sales role and the competitive retail market plan. We have adjusted the reference to its system (“largely manual”) and emphasised the revenue risk more strongly.
 - 2.4 **Ministry of Business, Innovation and Employment (Fuel Markets):** Noted its preference for Customs to continue collecting the Petrol and Engine Fuel Monitoring Levy (a separate levy included in the cost of fuel) despite the RUC shift. No changes are required to address this.
 - 2.5 **Inland Revenue:** Sought clarification on a comment implying government inefficiency in tax collection. We have confirmed the paper is clear that it is referring to market structures and retail, not tax collection broadly, and the wording does not require changes.
 - 2.6 **Ministry of Social Development (Office for Seniors):** Noted that changes could benefit older people with less fuel-efficient cars who drive less but stressed the need for clear communication and easy processes. No changes are required to address this.
 - 2.7 **Office of the Privacy Commissioner:** While offering no immediate feedback, stressed the importance of safeguarding privacy as the market develops. We will continue to engage with the Office.

Updates from Ministerial consultation

- 3 We have also updated the paper to reflect comments passed on by your Office as set out below.

Including principles for the next stages of the work programme

- 4 Feedback suggested including overarching principles to guide the work programme. As we progress towards the August 2025 Cabinet report back, the principles will support us to ensure that legislative proposals and policy direction reflect Government priorities. We have included five principles in the paper, which are consistent with both the feedback from your Office, and the work the Ministry and NZTA have been doing. These principles are described in more detail in the Cabinet paper, and are summarised below:
- 4.1 End-user focus: Changes to the RUC system should consider end user satisfaction, including aspects such as cost, ease of use, and privacy.
 - 4.2 Revenue protection: Changes should aim to minimise revenue leakage and ensure effective sanctions against evasion.
 - 4.3 Future-proofing: Regulatory settings should have the flexibility to enable integrated road pricing in the future, including time and location.
 - 4.4 Market-led solutions: The system settings should enable retail service providers to compete and innovate.
 - 4.5 Rapid results: Improvements should be expedited, aiming to take clear and rapid steps towards fleetwide RUC, balancing the achievability of implementation.

Presenting a clear roadmap

- 5 Additional clarity was sought on milestones. We have amended the Cabinet paper to provide a clearer pathway towards a transition and an explicit recommendation that you report back in **August 2025** with greater detail on policy proposals and milestones on the preferred Pathway.
- 6 To prepare the August report back to Cabinet, we will provide you with advice in **July 2025**, and any additional changes will be considered as part of the August 2025 Cabinet paper. In preparing this advice, we will continue to work with NZTA on the expected costs and delivery timeline.

Other changes

Detail on transition pathways, and the preferred approach

- 7 At the Officials' Meeting on Wednesday 28 May 2025 you indicated that your priority for the RUC system is to get the system settings right before progressing with the fleetwide transition. Your preference was to take steps to enable competitive technological solutions within the existing system and then move the remaining fleet to RUC over time as technology and process changes improve the customer experience and lower the cost of collection.

8 We have incorporated more content about the potential pathways for the RUC transition and the rationale for this approach (Pathway 2) which is the recommended pathway in the Cabinet paper. Each Pathway has different implications for the timeline and alignment with the guiding principles. **Annex 1** provides more detailed analysis of each pathway against the principles.

8.1 **Pathway 1 - rapid 2027 transition to the current system:** This pathway enables a swift shift to the existing system by 2027, aligning with the Government's commitment to immediate action. It uses the current, largely manual RUC system, offering speed and decisiveness. However, this means moving to a system with limited upgrades, relying heavily on active user compliance to guarantee revenue. NZTA would retain a dominant retail role, potentially leaving limited opportunity for innovative, market-led retail solutions.

8.2 **Pathway 2 - future-proofing and market-led transition:** This pathway is focused on modernising the RUC system and developing a competitive retail market for RUC over 2025–2027, with a commitment to transition as soon as the market is ready. It aims for a user-friendly and potentially cost-effective system, competition among providers and encourages innovative electronic solutions. It relies on a competitive RUC retail market emerging. While we know there is interest from companies, there is a risk that if the market does not develop, the transition could be delayed.

8.3 **Pathway 3 - natural fleet transition to RUC:** This pathway also focuses on initial modernisation of the RUC system, but with no commitment of a hard switchover date. This allows for a gradual RUC transition as electric vehicle uptake increases, with petrol vehicles contributing via excise duty for a longer period. This approach offers a less disruptive transition for petrol vehicle owners than an immediate shift. However, its extended timeline means the fleet's transition to RUC would be delayed, leading to a portion of the fleet under-contributing through excise duty for many years. It also delays the full application of a "user pays" system for road funding. This approach would allow for incremental improvements to be made to the RUC system over time (including the development of a retail market), but not necessarily with the pace envisaged by pathway 2 due to the smaller market scale.

9 The Cabinet paper recommends Pathway 2: "future-proofing and market-led transition". By doing this, it **implicitly rejects** the "2027 transition" (expanding the current manual system) due to its risk. Meanwhile, the "fleet composition" pathway (Pathway 3) is too slow to meet stated government commitments for a full transition.

Explore options for changing standards to better enable in-vehicle technological solutions

10 Your office also asked us to include material in the Cabinet paper exploring **s 9(2)(f)(iv)** of in-vehicle technology for new vehicles (which is installed, but in some cases not enabled, in most new vehicles imported to New Zealand since 2018).

11 We have updated the Cabinet paper to note that officials will explore the feasibility of adapting vehicle regulatory standards to ensure this technology is available for electronic RUC (eRUC) purposes. **s 9(2)(f)(iv)**

Annex 1: Analysis of the guiding principles and indicative pathways for transition of the fleet to RUC

Principle	Pathway 1: rapid 2027 transition to the current system	Pathway 2: enable the market, then transition	Pathway 3: gradual transition through changes in the fleet composition
Transition approach	Immediate focus to transition all petrol vehicles to the current largely manual RUC system, with minor system improvements. Future decisions for a move towards market-provided solutions and eRUC mandates as the market develops.	Immediate focus to reform the system to open it up to new technological solutions and competitive retail. Future consideration of moving petrol vehicles to RUC once the market can provide for the transition.	Immediate focus to improve the system to open it up to new options, and competitive retail. Once there is a wide range of eRUC options, the Government could consider progressing a transition.
End user focus	– Likely a poor end-user service due to reliance on manual system and limited innovation, potentially leading to higher ongoing costs for users.	++ Aims for a better end-user experience through moving only when there are reasonable competitive technological solutions available through the market.	+ Simple for users as they continue to pay through excise duty. Reliance on the current system reduces fairness, and may limit potential to achieve future improved service and cost efficiency.
Revenue protection	-- High revenue leakage risks due to heavy reliance on a largely manual system, odometer readings, and limited roadside enforcement.	++ Aims to deliver robust revenue protection through advanced, competitive solutions, mitigating long-term risks associated with a less efficient system.	+ Limited risk of revenue loss, but would require progressively larger increases to excise duty to reflect improving fuel economy.
Future proofing	– Existing system inefficiencies, limiting flexibility for road pricing (congestion charging, time/location-based pricing) beyond distance and weight.	++ Creates a flexible legislative framework capable of supporting integrated road pricing (time, location, etc) and accommodating future technological advancements, moving towards a truly future-proofed system.	-- Does not build a system for integrated road pricing. It is a passive approach that leaves the underlying system unchanged, meaning future work would still be required for advanced pricing.

Principle	Pathway 1: rapid 2027 transition to the current system	Pathway 2: enable the market, then transition	Pathway 3: gradual transition through changes in the fleet composition
Market-led solutions	– Over-reliance on NZTA as a dominant provider to enable a fast transition limits private sector competition and innovation.	++ Explicitly focuses on enabling a competitive RUC retail market by removing regulatory barriers and fostering private sector innovation and competition in service delivery.	+ Provides some progress toward market provision, but this may be limited by the smaller scale of the existing RUC fleet and unclear timeframes for expansion.
Rapid results	++ Provides a fast transition to RUC for most vehicles by 2027	– The full fleet transition will only occur once the market is established, likely involving a multi-year process. However, it aims for faster <i>long-term</i> progress towards a better system.	-- Will take a long time as it relies on the gradual turnover of the vehicle fleet.

Key

- ++ Option strongly achieves principle
- + Option demonstrates progress towards principle
- Option counter to principle
- Option strongly counter to principle

Cabinet paper refused under section 18(d). The paper is publicly available here:

https://www.transport.govt.nz/assets/Uploads/Transitioning-to-Road-User-Charges_-Initial-Decisions_Redacted.pdf



3 July 2025

OC250574

Hon Chris Bishop
Minister of Transport

Action required by:
Monday, 7 July 2025

DRAFT CABINET PAPER: MODERNISING THE ROAD USER CHARGES SYSTEM

Purpose

The briefing provides you with a draft Cabinet paper seeking policy decisions on modernising road user charging.

Key points

- The attached draft Cabinet paper seeks policy decisions on legislative changes to modernise the road user charges (RUC) system.
- As set out in your June Cabinet paper, the proposals focus on enabling low-cost technological solutions, fostering a competitive market and future-proofing the legislative framework to move towards more accurate and integrated road pricing in the future.
- We expect the changes outlined in the paper to be implemented by the end of 2026. At this point, key regulatory barriers will be removed, enabling the RUC retail market for light vehicles to be established.
- We propose you report back to Cabinet by June 2027 with an update on implementation, an outline of market development in response to the changes, and next steps to transition the remaining fleet to RUC.
- You have indicated you plan to announce these changes at the Building Nations conference (6–7 August 2025). To do so, this paper will need to be lodged by 24 July 2025 for Cabinet Economic Policy Committee consideration on 30 July 2025.

Recommendations

We recommend you:

- 1 **provide** your feedback on the attached draft Cabinet paper
- 2 **agree**, subject to changes to address your feedback, to commence departmental and Ministerial consultation on the draft Cabinet paper on Tuesday 8 July. Yes / No



Anna Wilson-Farrell
Director – Revenue
 03 / June / 2025

Hon Chris Bishop
Minister of Transport
 / /

Minister's office to complete:

- ☐ Approved
 ☐ Declined
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Comments

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Matthew Skinner, Manager, RUC Transition		

DRAFT CABINET PAPER: MODERNISING THE ROAD USER CHARGES SYSTEM

Cabinet has agreed to focus on improvements to the RUC system ahead of transitioning the remaining fleet

- 1 The transition pathway will start with system changes that enable a market-led and technologically enabled RUC system [EXP-25-MIN-0053 refers].
- 2 We expect this approach to enable more options and an overall better experience for users. However, it relies on the emergence of a competitive RUC retail market, which may take time to establish and mature.

The attached paper seeks Cabinet decisions that will enable legislative drafting

- 3 From our discussion at the Transport officials' meeting on Monday 23 June 2025, we understand that you are comfortable with not setting a transition date for the petrol fleet. The transition will be considered once the market has responded to legislative changes, which will offer options for light vehicle users to conveniently pay RUC.
- 4 The Cabinet paper provides details on the complexity and scale of the change in transitioning the fleet. Rather than providing a detailed transition pathway, the Cabinet paper outlines the next steps toward improving the system.
- 5 The draft Cabinet paper, summarised in the below table, sets out policy changes for Cabinet consideration in August 2025 s.9(2)(i)(iv)

Table 1: Specific legislative proposals for Cabinet consideration

Objective	Specific proposals	Rationale
Enabling low-cost technological solutions	1) Remove all requirements to display, carry or produce RUC licences.	Requirements to display or carry physical and electronic RUC licences create costs (printing, posting and requiring eRUC devices to have electronic screens to display digital versions). While these requirements allow enforcement officers to verify licensing status on the roadside immediately, technology carried by the Police can potentially provide real-time verification capabilities, reducing the need for physical labels.
	2) Remove the requirement that electronic distance recorders must be provided by electronic system providers	Current requirements centre around prescriptive definitions and require separate electronic distance recorders to be installed by the electronic system provider. Originally designed to prevent evasion and ensure robust distance tracking, the requirements prevent the use of new and less costly technology for RUC purposes (which is built into most new vehicles).

Enabling a competitive market	3) Clarify roles and functions, including creating a separate role of RUC Customer Services Provider	NZTA both retails (sells) road user charges and regulates the system. Third parties interested in retailing RUC expressed concerns that this dual role is unfair and stifles competition by discouraging new businesses from entering the RUC retail market. In line with the objective to let the market lead on RUC retail, this proposal will separate the RUC customer service role and functions from the RUC Collector's other functions.
	4) Enable the RUC Collector to approve RUC Customer Services Providers as part of its regulatory role	Under the current regulatory framework, the RUC Collector has significant discretion around the process and approval of RUC retail providers. This highlights a conflict in which NZTA is both a retailer of RUC and has discretion around the regulation of other retailers.
	5) Enable the RUC Collector to appoint the NZTA as a RUC Customer Services Provider, on the same basis as other providers	While the retail market is developing, it will still be necessary for NZTA to sell RUC licences to users directly. The proposal aims to ensure that NZTA does not have any unfair competitive advantage over other providers.
	6) Broaden the scope for alternative payment schemes to be offered by a RUC Customer Services Provider	The current regulatory framework allows for alternative payment schemes that were envisioned to enable operators to pay their RUC in different ways – e.g. through post-payment plans. To date, none have been established, which we understand reflects a lack of demand for such options among heavy vehicle operators able to meet the requirement for vehicles to be fitted with electronic distance recorders. This proposal would remove this requirement, allowing for a broader range of low-cost alternative payment schemes to potentially operate.
Future-proofing the RUC Act to enable more accurate and integrated road pricing in the future	7) Enable the RUC Collector to collect other land transport charges (e.g. time of use and tolling charges) in conjunction with RUC	This will enable providers of alternative payment schemes to bundle together different land transport charges that are enabled through other legislation (e.g. time of use and tolling charges). It makes it easier for users, and potentially paves the way towards more efficient pricing in future.

Implementation costs

6 Implementing these changes will result in costs for NZTA and NZ Police.

6.1 NZTA estimates it will cost approximately \$4 million to develop alternative systems for users, including digital RUC licences to replace physical labels. This cost covers system design, development and supporting infrastructure.

6.2 NZTA's cost estimate includes development of a data feed to enable real-time access to RUC data, but additional work would be needed to enable enforcement officers to access real-time data on the roadside. We are working with NZ Police to determine the benefits of this (as opposed to using the existing approach, where RUC licence data is up to 24 hours old), and implementation costs and timeframes. Once confirmed, we will provide further advice on potential funding options, including through the Road

Policing Investment Programme, which is paid for from the National Land Transport Fund.

- 7 NZTA is developing a funding proposal for implementation activities to enable the market and make amendments to its system. We will provide advice on funding options shortly. Under section 9(2)(b) of the Land Transport Management Act, the Ministers of Transport and Finance can jointly approve using land transport revenue to fund “activities carried out by the Ministry or the Agency that are related to the protection of the land transport revenue base and the maintenance of the integrity of the revenue system.”

The Cabinet paper outlines implementation timelines, with a report-back in 2027

- 8 Assuming legislation passes by July 2026, we expect changes to Regulations and the Code of Practice for market participants to be implemented by the end of 2026, subject to consultation and development timeframes. Once the Act is passed, key regulatory barriers will be removed, enabling the RUC retail market to establish itself.
- 9 To better understand the likely market response and timeframes, the Cabinet paper proposes a Request for Information (RFI) process run in parallel to the legislative process.
- 10 We have proposed you report back to Cabinet by June 2027 with an update covering:
 - progress to implement regulatory and operational changes to modernise the system
 - market development in response to these changes, including feedback received through the RFI
 - next steps to introduce the remaining fleet to RUC, including the transition approach and compliance and enforcement.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

This paper will need to be lodged by 24 July for Cabinet committee consideration

12 The detailed timeline to finalise and lodge this paper is as follows:

Your feedback provided to officials	Monday 7 July
Your Office will receive an updated Cabinet paper (to reflect feedback)	Monday 7 July (5pm)
Departmental and Ministerial consultation	Tuesday 8 – Wednesday 16 July
Post-consultation advice and final draft to you	Friday 18 July
Final Ministerial feedback	Monday 21 July
Lodgement	Thursday 24 July
Cabinet Economic Policy Committee (ECO)	Wednesday 30 July
Cabinet	Monday 4 August
Building Nations conference	Wednesday 6 – Thursday 7 August

IN CONFIDENCE



16 July 2025

OC250619

Hon Chris Bishop
Minister of Transport

Action required by:
Thursday, 17 July 2025

UPDATED DRAFT CABINET PAPER: MODERNISING THE SYSTEM AND PREPARING FOR THE FLEETWIDE TRANSITION

Purpose

This briefing provides a revised Cabinet paper seeking policy decisions to modernise the road user charges (RUC) system, following Ministerial and departmental consultation. Also included are talking points for Cabinet Committee and an updated Regulatory Impact Statement (RIS).

Key points

- The attached draft Cabinet paper has been amended to reflect comments received from Ministerial and departmental consultation. Feedback received and the changes made to address the feedback are set out in Annex 1. The substantive changes to the paper since the previous version are:
 - o updates, particularly to the executive summary, to outline a long-term vision for the land transport revenue system, emphasising that the proposed changes lay the groundwork for the future.
 - o updates to address a Treasury comment on how the implementation costs (\$4 million) will be funded. We are currently working with the New Zealand Transport Agency (NZTA) to explore whether internal reprioritisation is possible. Should it become apparent that this is not feasible, Ministers could consider allocating funding under section 9(2) of the Land Transport Management Act.
 - o amendments to the Financial Implications section outline further work with Police and the NZTA to explore a range of low/no-cost options to enable enforcement once physical licences are removed (we will provide you further advice on this in due course).
 - o additional references to the importance of continuously safeguarding user privacy, which will be a focus area in the market engagement exercise, including whether safeguards may be needed in secondary legislation.
- The Minister of Finance's Office provided the same feedback as the Treasury as part of Ministerial consultation, and the amendments to the paper reflect those comments. No other Ministerial feedback was received.

IN CONFIDENCE

Recommendations

We recommend you:

- 1 **agree** to lodge the Cabinet paper by 10:00am on Thursday 17 July 2025 for consideration by the Cabinet Economic Policy Committee on Wednesday 23 July 2025.

Yes / No



Anna Wilson-Farrell
Director - Revenue
16 / July /2025

Hon Chris Bishop
Minister of Transport
..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director - Revenue	s 9(2)(f)(iv)	X
Matthew Skinner, Manager RUC Transition	s 9(2)(f)(iv)	

Cabinet Paper refused under section 18(d). The paper is publicly available here:
<https://www.transport.govt.nz/assets/Uploads/RUC-RIS-updated.pdf>

Annex 1: Feedback from departmental consultation

Department	Feedback	How we have addressed
The Treasury (the same feedback was also provided by the Minister of Finance's Office)	Concerns that these "low regrets" changes might pre-empt broader policy decisions on the land transport revenue system, which are yet to be finalised by Cabinet. Additionally, the Treasury highlighted an immediate \$4 million implementation cost for these changes, with no clear funding plan, and signalled further significant costs for a full fleetwide transition.	We have updated the paper, particularly the executive summary, to outline a long-term vision for the land transport revenue system. The proposed changes are designed to be "no regrets" that will help lay the groundwork for the future system. We are currently working on funding for immediate implementation. Should NZTA be able to clearly show it cannot fund the work through back-office reprioritisation, we will provide advice on whether the Minister of Finance and the Minister of Transport should consider allocating funds through section 9(2) of the Land Transport Management Act.
New Zealand Transport Agency (NZTA)	Clarifications and small corrections. NZTA sought to include detail in the financial implications section on the funding required for: - revenue integrity in a modernised system - developing a Targeted Operating Model - a business case for investment.	Technical wording changes to the paper, as well as financial implications, have been clarified. We have noted the potential funding requirement. However, we do not propose to include the specific detail of the work NZTA is doing to build its case for funding, as this will be covered in future advice to you and the Minister of Finance on the NZTA funding bid under section 9 of the Land Transport Management Act 2003 if this required.
Ministry for Regulation	Ensuring sufficient safeguards to ensure consumer protection and competition. Considering the ongoing need for NZTA as a RUC retailer once market is established.	This will be a focus of the market engagement process, and we will discuss competition policy implications with the Commerce Commission and the Ministry of Business, Innovation and Employment. There will be opportunities to address these comments through implementation and in secondary legislation.
Office of the Privacy Commissioner	Need for further analysis of privacy risks and options to mitigate them. Concerns about potential privacy implications for use of on-board vehicle telematics and cheaper options for electronic distance recording.	The Road User Charges Act 2012 has existing safeguards for privacy and data security. We have clarified throughout the paper that privacy and data security will be an issue to explore through the market engagement and implementation processes, to ensure appropriate safeguards are in secondary legislation if required (and the Code of Practice).
New Zealand Police	Removal of the requirement to display RUC licences will mean that Police at the roadside will need direct access to NZTA-held RUC details. Further work is required to confirm the options and determine the next steps.	The text in the Financial Implications section now reflects these comments. We note that current Police enforcement of RUC is relatively limited (5,000–7,000 infringements per year). We will work with the NZ Police and NZTA to identify low or no-cost options to ensure ongoing enforcement activity following implementation. There will also be further opportunities as we prepare for the transition to ensure we have effective tools to increase RUC compliance.
Infrastructure Commission	Queried the financial implications of transitioning the full fleet to RUC (specifically requesting greater cost analysis, particularly regarding assumptions and economies of scale). Also sought clarity on implications of removing excise for funding recreational boating, recreational aviation and search and rescue.	Clarified financial implications relate to the regulatory changes proposed (removing physical licenses), not broader costs of fully transitioning the fleet. Clarified other text to address the comment.

Inland Revenue Department, Ministry of Justice, Ministry of Business Innovation and Employment (Fuel Markets and ACC policy), and Customs were consulted and provided no substantive comments.

**AIDE MEMOIRE**

22 July 2025

OC250569

Hon Chris Bishop
Minister of Transport

AIDE MEMOIRE: BACKGROUND AND CURRENT STATE OF ROAD USER CHARGING POLICIES AND TECHNOLOGIES**Purpose**

- 1 This aide memoire outlines various road user charging policies in place or being considered overseas and the technologies being developed to support those policies.

New Zealand's established road user charges system has been world leading, but is outdated

- 2 New Zealand stands out globally with a well-established nationwide distance and weight-based road user charges (RUC) system. This system applies to all heavy vehicles and more than a million light vehicles, including all light electric vehicles. Most other countries rely on a combination of fuel taxes and annual licensing fees for electric, diesel and heavy vehicles, making our system unique. While the existing RUC system provided a straightforward step to bring electric vehicles onto RUC, the current set-up of the RUC system is outdated.
- 3 You have expressed interest in using existing in-vehicle technology to support the fleet's transition to RUC.

There are limited electronic RUC solutions currently available in New Zealand

- 4 Requirements for entry and approval of electronic systems providers are set out in legislation, regulations, and the New Zealand Transport Agency (NZTA) eRUC code of practice. There are broadly two solutions currently used in New Zealand:
 - Electronic RUC (eRUC) involves an on-board unit (OBU) installed into a vehicle, recording distance and usually location. RUC purchasing processes are typically coupled with other fleet management features, attracting mostly commercial heavy vehicle operators. These systems enable (but do not require) automatic RUC purchasing. There are three eRUC providers (EROAD, Navman, and PicoByte).
 - Electronically assisted RUC (eaRUC) is not regulated by the code of practice and does not automate any purchases. Instead, it is a digital display in the vehicle and sends a notification when the RUC licence is close to expiry, based on odometer readings

entered on a phone app by the operator. There is one eaRUC provider (MyRUC, offered by PicoByte).

Manufacturer-installed technology has developed to a point where it can perform the same functions as an on-board unit but does not require the installation of a separate device

NZTA's trial suggested using manufacturer-installed technology for RUC is feasible in New Zealand

- 5 NZTA has recently carried out a proof-of-concept trial to assess the merits of manufacturer-provided technology as a solution for RUC. It worked with Australian company Compass IOT.
- 6 Compass IOT is a data aggregator. It collects data on behalf of multiple vehicle manufacturers. The data collected concerns where people drive and at what speed, using a feed from the vehicle's on-board telematic control unit.
- 7 Initial findings from this trial suggest the use of in-vehicle technology is a feasible potential RUC option, once legislative barriers to its use are addressed.
- 8 Although it is feasible, it is reliant on the cooperation of manufacturers, including their willingness to install and enable the tech in New Zealand vehicles. The onboarding processes, security and privacy protocols all vary between brands, which may pose challenges for RUC retailers. Work would need to be done to ensure vehicles are equipped with the right features to connect to New Zealand frequencies.
- 9 Overall, no single technology dominates road user charging, and no jurisdiction currently widely uses in-built in-vehicle technology for RUC purposes.

The inclusion of mandated features might open the door for broader use of manufacturer-installed technology

- 10 There is currently limited incentive for vehicle manufacturers to include, enable or share in-vehicle technology and the data it generates outside of its own services. As a technology taker, there may be limited potential for New Zealand to influence the expansion of in-vehicle tech. However, as the technology develops and is mandated elsewhere, it may become more commonplace.
- 11 For example, eCall is an automatic emergency calling system mandatory for all new cars in the European Union (since 2018). If a vehicle is detected to be in a serious crash, it will automatically connect the passengers to the nearest emergency response centre. Location, time of accident, and VIN are sent to emergency services for assessment.
- 12 ANCAP, which crash tests vehicles to assess safety performance in Australia and New Zealand, will start to include eCall as part of its safety rating methodology from next year. This may eventually result in more manufacturers including in-vehicle technology.

Other jurisdictions have used technology for smarter and efficient road pricing schemes

- 13 From our review, no other country has mandated telematics functions or broad distance-based road pricing for its entire vehicle fleet. However, there have been several trials of technology or charging schemes, which are often undertaken without actual charging occurring, or as an alternative to other fees such as annual licensing fees.
- 14 The following examples set out some of the developments internationally in relation to road pricing policy, including how technology requirements or options are being used to assist the policy direction.

Singapore is in the early stages of exploring the development of a distance-based charging scheme as an expansion of its congestion charging scheme

- 15 Singapore has begun the roll-out of on-board units (OBUs) that utilise Global Navigation Satellite System (GNSS) technology in all vehicles.

- 16 At this time, the devices are being installed in vehicles to replace the existing Electronic Road Pricing (ERP) gantries, which are becoming increasingly challenging to maintain and have been in operation since 1998. The device is purpose-built for Singapore, and the design and roll-out process began over 10 years ago, and is not yet complete.



- 17 The OBUs being installed in all vehicles record location, time, and distance data, and provide travel information directly to drivers using satellite technology. The OBU for cars and most other vehicles has three pieces: an antenna, a processing unit, and an optional touchscreen display.

- 18 While the primary purpose of these OBUs is to replace gantries, Singapore is also exploring their potential for distance-based charging. Singapore ruled out mobile phones as charging devices due to the complexities of ensuring consistent links between devices and vehicles.

- 19 The Singapore government has stated that it has "no immediate plans to impose distance-based road pricing", and any form of distance-based charging is "still several years away." The current priority is rolling out the new system for its congestion charging scheme.



Europe's approach to road user charging relies heavily on time-based vignettes

20 These traditional systems involve purchasing a physical sticker, valid for a specific duration (from a few days to a year), which grants unlimited travel (i.e. not distance-based) across a designated road network during that period. The cost of these vignettes typically varies based on time validity and vehicle category.

21 Vignette systems are evolving, particularly with their digitisation. E-vignettes, purchased online, eliminate the need for manual interventions or physical presence. Cameras on roads record vehicle licence plates and cross-reference them with a central database to enforce these digital passes.

22 Trials of RUC in Europe have often been an alternative (or a possible alternative) to the vignettes, where users can pay based on actual distance travelled rather than a time-based use fee.



Denmark has recently mandated a distance-based tax for heavy vehicles

23 As of 1 January 2025, all heavy vehicles travelling in Denmark are now subject to a distance-based charge. This system replaces the traditional vignette approach. GNSS equipment is installed into the vehicle to collect charges electronically by an approved European Electronic Toll Service (EETS) provider. This equipment must be switched on while driving on the Danish roading network.

24 Vehicles that do not have the installed equipment (likely to be those that don't frequently use Danish roads) must purchase a route ticket before they use a specified route.

25 Charges are paid by the road user to the to their service provider. The service provider passes this on to a state-owned company for the purpose of collecting the toll and paying the Customs and Tax Administration.

26 The heavy vehicle charges are relatively low compared to New Zealand RUC rates, and Denmark still has a diesel tax.

Iceland's RUC system involves a 'utility-like' billing approach and charges based on average odometer readings

27 Iceland began a distance-based RUC system for all light electric, hydrogen and plug-in hybrid vehicles from 1 January 2024. They have plans to soon bring in diesel and petrol vehicles onto the same system and remove fuel excise duty (and would be the first country in the world to do so). They do not use eRUC technology, but have designed a system focused on user experience, through their wider government app.

28 They have sought to make RUC like many utility payments, where the amount charged is based on an estimate and paid monthly. Vehicle owners must log a reading at least once a year but can self-submit every 30 days for more accurate billing. Readings can be submitted via the app or taken at an annual inspection. Monthly estimates are based on the most

recent two readings from the current vehicle owner. Where this is not applicable, the charge is based on a general estimate of average driving.

The United States is investigating road user charging at both the federal and state levels through various pilot programmes and optional schemes

- 29 Various US states have run schemes or pilots, including heavy vehicles, light vehicles, or both. The technology used includes manual odometer readings, non-GPS telematics devices, and GPS-enabled devices. Some programmes also allow photo uploads of odometers, due to the challenge in integrating with existing in-vehicle manufacturer technology.
- 30 Several states (including Oregon, Virginia, Oklahoma Washington and Utah) have RUC programmes for electric vehicles and fuel-efficient petrol vehicles. These programmes typically allow vehicle owners to pay based on distance travelled, capped at an annual flat rate, as an alternative to their existing registration fee. Road users can choose to upload odometer readings via a photo or by installing an on-board telematics device. The contractor that administers many of the schemes (Emovis, discussed further below) offers the use of manufacturer installed technology, OBUs, or manual distance readings.
- 31 Despite challenges with vehicle linkage and app operation, some states (such as Texas) are trialling smartphones for RUC as a lower-cost alternative to installing OBUs in vehicles. Automatic Number Plate Recognition (ANPR) is commonly used for tolling, though is not yet used for distance-based charging across any networks. New York City's charging programme, for instance, uses RFID tags with ANPR as a backup.
- 32 Hawaii implemented optional distance-based charging for electric vehicles on 1 July 2025. It uses odometer readings taken during an existing annual safety inspection. Although Hawaii evaluated various methods for measuring vehicle distance, the current focus is on yearly invoicing based on odometer photographs uploaded to a system by vehicle inspectors. This approach was chosen to protect user privacy and lower administrative costs. By 1 July 2028, all electric vehicles will be subject to the scheme, with plans to include all light-duty vehicles by 2033.

Several RUC trials have been undertaken around the world

- 33 In April 2023, a private company initiated a pilot project in Esplugues de Llobregat, a municipality in Barcelona, Spain, to test a new satellite distance-based fee for managing urban traffic demand using Global Navigation Satellite Systems (GNSS) technology. Approximately 1,000 citizens participated in the two-month pilot. On-board units were installed to determine the vehicle's real-time location. The system then calculated kilometres driven, enabling distance-based calculations.

There are several companies with different business models and road pricing schemes

- 34 There are several companies that offer technology or approaches to support road pricing policies. Most of these have been designed to support tolling or congestion charging schemes, as these are more common internationally. Noting the general interest of other jurisdictions towards moving to distance-based charging, many companies are developing additional solutions.

- 35 Those mentioned below represent a snapshot of the market based on different technologies and services offered. The information is based on a combination of discussions we have had with representatives of the companies, publicly available information, and submissions on the Ministry's Request for Information process last year. Of these solutions, few of them would be viable under New Zealand's current legislative framework for eRUC due to the prescriptive device requirements.
- 36 **Emovis** is primarily a toll service provider that is increasingly providing RUC solutions. Emovis is responsible for distance recording (which it supports via manufacturer-installed technology, OBUs, smartphones and manual reporting), data processing, and user support/management. It supported Oregon's RUC scheme deployment in 2015 and is being used in schemes and trials in Oklahoma, Virginia, Washington State, Utah, the UK and Slovakia.
- 37 **GoCarma** is a US-based RUC provider that uses GNSS and a smartphone app, eliminating the need for an OBU. The company is currently focused on tolling and high-occupancy vehicle lanes with innovative plans for RUC expansion. GoCarma has developed technology that would enable a user to connect their phone to a vehicle using Bluetooth, with charges applied to the user's account based on distance travelled as detected via the phone's GPS. The user would be prompted to take regular odometer photos (combined with enforcement via WOF inspection) to pick up distance travelled without the phone connected, and any non-detected distance would be charged at a higher rate.
- 38 **Be-Mobile** developed the technology which supported the shift from vignette to a distance-based charge for heavy vehicles in Denmark. The Be-Mobile Toll Control Centre uses a digital road map of the Danish road network to receive and process the data from OBUs in heavy vehicles to calculate charges and create the billing details. Services like Be-Mobile are contracted by Toll Service Providers to provide software that positions vehicles on the road network based on data from OBUs to calculate a charge.
- 39 **ClearRoad** has developed an app that enables RUC services and supports data from smartphones, manufacturer-installed technology, and odometer images. The data collected is used to provide an account management service for various road pricing schemes, with compatibility to work with any pre-existing billing system.
- 40 **Geotoll** uses GNSS and a smartphone app which can be paired with manufacturer-installed technology or separate OBUs. Their app offers different distance recording options based on different levels of needs. Solutions include odometer photos with no vehicle tracking, an app that tracks anonymised trip data, automatic reporting of anonymised in-vehicle telematics, or an OBU that does the same thing. The data that is collected through the app does not leave the owner's device.

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director - Revenue	s 9(2)(a)	✓
Matt Skinner, Manager, RUC Transition		



BRIEFING

30 July 2025

OC250662

Hon Chris Bishop
Minister of Transport

Action required by:
Tuesday, 5 August 2025

PROACTIVE RELEASE OF ROAD USER CHARGES MATERIAL

Purpose

Seeking your approval to release two Cabinet papers (and minutes) relating to transitioning the fleet to road user charges.

Number of papers	Six documents – comprising Cabinet papers and minutes
Deadline	Tuesday 5 August (for the documents to be released the next day following your announcement at Building Nations on Wednesday 6 August).
Risks	Releasing the papers may raise questions about the decision to move away from a 2027 transition date. We will provide questions and answers to assist the Office prior to the release of the papers.

Recommendations

We recommend you:

- 1 **approve** the proactive release of Cabinet material relating to transitioning to road user charges on 6 August 2025, noting that some information will be redacted under sections 9(2)(f)(iv) and 9(2)(h) of the Official Information Act Yes / No
- 2 **agree** to publish the regulatory impact statement (RIS) concurrently with the release of the Cabinet papers. Yes / No
- 3 **note** the proposed approach of refusing parts of two Official Information Act requests from s 9(2)(a) (Compass Climate NZ) and s 9(2)(a) (Green Party) under section 18(d) of the Act, on the grounds that the information will soon be publicly available.

Matt Skinner
Manager, RUC Transition

30 / 07 / 2025

Hon Chris Bishop
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved☐ Declined☐ Seen by Minister☐ Not seen by Minister☐ Overtaken by events**Comments****Contacts**

Name	Telephone	First contact
Matt Skinner, Manager, RUC Transition	s 9(2)(a)	✓

PROACTIVE RELEASE OF THE CABINET MATERIAL RELATING TO TRANSITIONING TO ROAD USER CHARGES

We have prepared Cabinet papers for proactive release

- 1 On 6 August 2025, you will announce the next steps for transitioning petrol vehicles from fuel excise duty to road user charges (RUC) at the Building Nations conference in Wellington. Following your speech a press release will be issued, and the Ministry of Transport proposes publishing the Cabinet material on its website.
- 2 There have been two Official Information Act 1982 requests have been received for the Cabinet papers following the action in the Government's Action Plan for Quarter 2 ("take Cabinet decisions on the fleetwide transition to Road User Charges") being marked as done. The proactive release of the material will also satisfy these requests.

Outline of papers proposed for release and redactions

- 3 The Cabinet papers and associated minutes we propose to release are as follows:
 - 3.1 Cabinet paper - Transitioning to Road User Charges: Initial Decisions
 - 3.2 Cabinet Expenditure and Regulatory Review Committee Minute (EXP-25-MIN-0053 of 25 June 2025)
 - 3.3 Cabinet Minute – Report of the Cabinet Expenditure and Regulatory Review Committee – Period Ended 27 June 2025 (CAB-25-MIN-0224 of 30 June 2025)
 - 3.4 Cabinet Paper - Road User Charges: Modernising the System in Preparation for the Fleetwide Transition
 - 3.5 Cabinet Economic Policy Minute - Road User Charges: Modernising the System in Preparation for the Fleetwide Transition (ECO-25-MIN-0118 of 23 June 2025)
 - 3.6 Cabinet Minute - Report of the Cabinet Economic Policy Committee - Period Ended 25 July 2025 (CAB-25-MIN-0249 of 28 July 2025).
- 4 We propose that some information be withheld under:
 - 4.1 section 9(2)(f)(iv) to maintain the constitutional conventions that protect the confidentiality of advice given by Ministers of the Crown and officials — we propose to withhold information relating to upcoming decisions you will take on funding.
 - 4.2 Section 9(2)(h) to maintain legal professional privilege as it relates to the Government's Legislative Programme.
- 5 Annex 1 summarises the proposed redactions and the reasons for them.

Risks and mitigations

- 6 The released material will provide additional detail on the specific decisions.

- 6.1 It will make it clear that the Government's priority is to improve the RUC system, which differs from the decisions and announcements made in August 2024, where a fast transition was the priority.
- 6.2 The Cabinet papers highlight issues with the current RUC system, including efficiency concerns and risks associated with compliance and enforcement.
- 7 The release is planned to coincide with your public announcement, allowing you the chance to shape how the documents are understood. A Q&A document will be provided to your office prior to the announcement should questions be received.

Proactively releasing information will also address two OIA requests

- 8 Proactively releasing information will help address two OIA requests. The Ministry received requests:
 - 8.1 on 15 July 2025, from s 9(2)(a), Head of Compass Climate, for *"a copy of the Cabinet papers and minutes" related to the government's Q2 action plan checklist item: "Take Cabinet decisions on the fleetwide transition to Road User Charges," which was marked as "DONE."*
 - 8.2 on 21 July 2025, from s 9(2)(a) of the Green Party of New Zealand, for briefings that included the two Cabinet papers proposed to be proactively released.
- 9 We plan to refuse the requests for the Cabinet papers under section 18(d) of the OIA, as the information "is or will soon be publicly available." The response to the Green Party's request for the cover briefings is being prepared separately and will be provided to your office soon.

Publication of the Regulatory Impact Statement

- 10 A regulatory impact statement was produced to inform Cabinet's decisions. The Ministry for Regulation has advised that the statement needs to be published on the websites of the Ministry of Transport and the Ministry for Regulation within 30 days of the final decision being taken by Cabinet, which, in this situation, can be either:
 - 10.1 when the Cabinet papers are proactively released
 - 10.2 when any resulting Bill is introduced into the House.
- 11 We propose publishing the regulatory impact statement at the same time as the proactive release of the Cabinet papers. This is the earlier opportunity to release the information, and it packages the decision (in the Cabinet paper) with its analysis (in the RIS) for the public. Furthermore, the Cabinet paper explicitly refers to the RIS, making concurrent publication useful.

Next steps

- 12 Once you have approved the release of the documents, we will publish them on the Ministry's website. We will also send the responses to the OIA requesters.

ANNEX 1: DOCUMENT SCHEDULE

	Document title	Proposed redactions	Risks / matters to note
1	Cabinet paper - Transitioning to Road User Charges: Initial Decisions	Release with information withheld under sections 9(2)(f)(iv) and 9(2)(h) to maintain legal privilege.	s 9(2)(f)(iv) Paragraph 20 discusses exploring vehicle standards regulations to increase the use of built-in vehicle technology. We do not propose redacting this as it's a high-level reference to possible future work, not a firm commitment.
2	Cabinet Expenditure and Regulatory Review Committee Minute - EXP-25-MIN-0053	Release with information withheld under section 9(2)(h) to maintain legal privilege.	This minute confirms the committee's decisions, and the associated risk is low.
3	CAB Minute - CAB-25-MIN-0224	Release with some information marked out of scope.	This minute confirms the final decisions made by Cabinet, and the associated risk is low.
4	Cabinet Paper - Road User Charges: Modernising the System in Preparation for the Fleetwide Transition	Withhold specific information (paragraphs 2 to 30) under section 9(2)(f)(iv) of the OIA. Further information withheld under 9(2)(h) to maintain legal privilege.	Paragraph 10 outlines complexities and challenges of transitioning to the current RUC system. We propose releasing this, which may draw attention to the original decision for a fast transition to a manual system by 2027. We considered whether information on RUC system enforcement challenges should be withheld but after engagement with other agencies think it is likely okay for it to be released. Paragraphs 18–20 discuss the long-term goal of integrated road pricing. We propose releasing this information as it represents a high-level exploration of potential future direction, not something specifically under active consideration.
5	Cabinet Economic Policy Committee Minute - ECO-25-MIN-0118	Release with information withheld under section 9(2)(h) to maintain legal privilege.	This minute confirms the committee's decisions, and the associated risk is low.
6	Cabinet Minute - Report of the Cabinet Economic Policy Committee - Period Ended 25 July 2025 CAB-25-MIN-0249	Release with some information marked out of scope.	Cabinet minute also confirms the Committee's decision, and the associated risk is low.



MINISTRY OF TRANSPORT
TE MANATŪ WAKA

Document 48

Road User Charges Transition

All MoT

10 September 2025

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Out of Scope

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

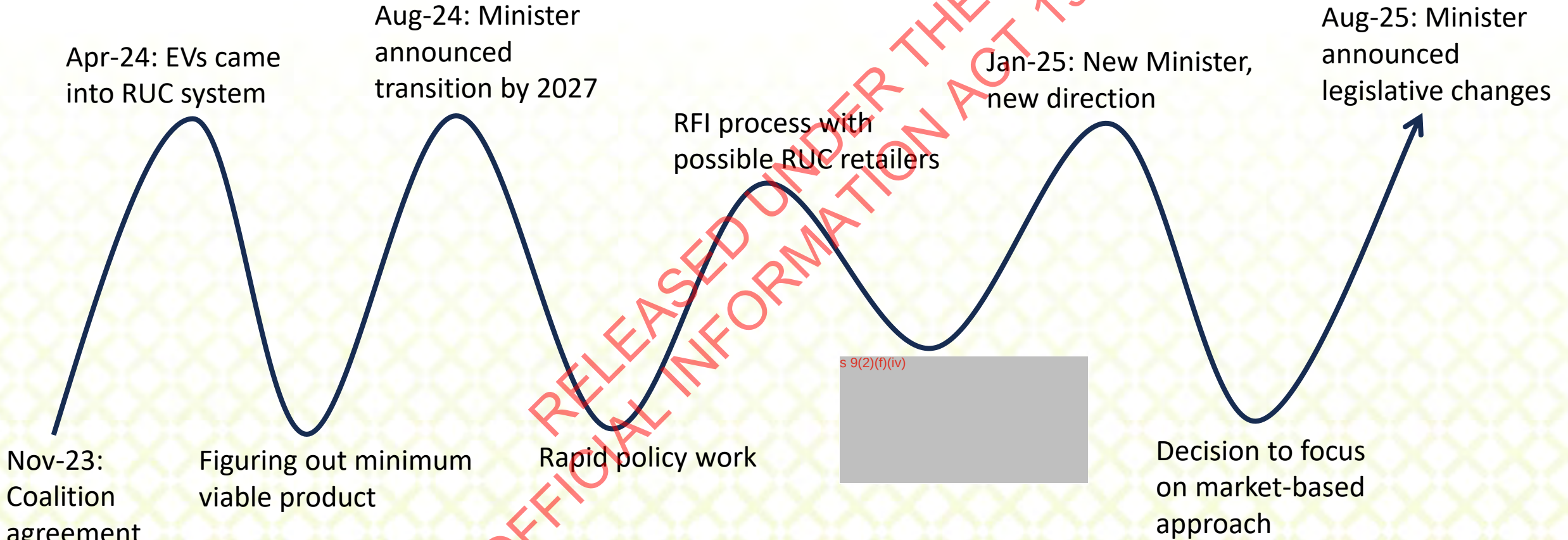


MINISTRY OF TRANSPORT
TE MANATŪ WAKA



Te Kāwanatanga o Aotearoa
New Zealand Government

The Government committed to work towards transitioning from fuel tax to RUC



Approach to improving the RUC system

2025–2026: Primary legislation, regulations, and Code of Practice

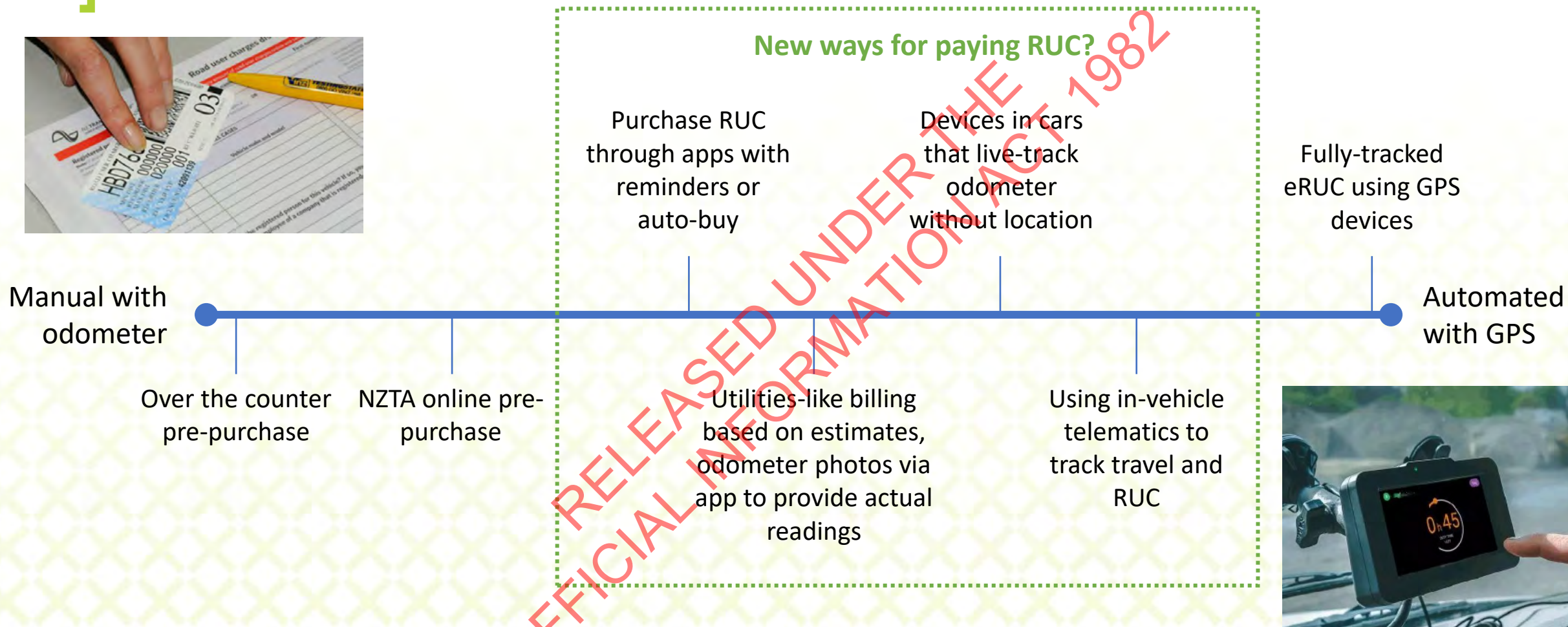
- Market engagement
- Legislation passed by 2026 to modernise the existing RUC system.

2027: Existing RUC system operating under new rules

- Additional retail options available, with the potential for a competitive market for RUC retail.
- Assess the potential for the improved system to support a future transition.

Post-2027+: Considering when and how to transition petrol vehicles to RUC

What might the RUC retail market look like by 2027?





MINISTRY OF TRANSPORT
TE MANATŪ WAKA

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OFFICIAL INFORMATION ACT 1982



9 October 2025

OC250872

Hon Chris Bishop

Action required by:

Minister of Transport

Tuesday, 14 October 2025

LAND TRANSPORT (REVENUE) AMENDMENT BILL: DRAFT CABINET LEGISLATION COMMITTEE PAPER FOR CONSULTATION

Purpose

This briefing seeks your approval to commence ministerial and departmental consultation on the attached draft Cabinet Legislation Committee (LEG) paper and draft Land Transport (Revenue) Amendment Bill (the Bill) and seeks your agreement to a new policy decision to broaden an existing offence to apply to all RUC providers.

Key points

- The draft LEG paper and Bill are attached for your review ahead of commencing ministerial and departmental consultation. We will provide final versions of the LEG paper and Bill, reflecting any feedback received, prior to lodgement on 30 October 2025.
- Changes to the road user charges (RUC) and tolling systems are being progressed together through an omnibus Bill. The amendments aim to ensure that key revenue tools effectively support a user-pays basis for funding land transport.
- The draft Bill progresses changes to the Road User Charges Act 2012 that Cabinet agreed to in July 2025 regarding the RUC system. We are seeking agreement to one additional policy decision for inclusion in the Bill: we propose broadening an existing offence that currently applies to electronic system providers, so it applies to all RUC providers.
- Out of Scope

- We propose sharing an amended version of the Bill, including the RUC aspects only, with the Stakeholder Reference Group, if you agree.

Recommendations

We recommend you:

- 1 **agree** to commence ministerial and departmental consultation Yes / No
- 2 **agree** to broaden an existing offence that applies to electronic system providers (failure to report certain matters, or knowingly providing false or misleading information, to the RUC collector) so it applies to all RUC providers Yes / No
- 3 **agree** to share the RUC aspects of the draft Bill with the Revenue Stakeholder Reference Group Yes / No



Anna Wilson-Farrell
Director - Revenue
 09 / October / 2025

Hon Chris Bishop
Minister of Transport
 / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director - Revenue	s 9(2)(a)	✓
Matthew Skinner, Manager, RUC Transition		
Genevieve Woodall, Manager, Revenue		

LAND TRANSPORT (REVENUE) AMENDMENT BILL: DRAFT CABINET LEGISLATION COMMITTEE PAPER FOR CONSULTATION

Cabinet has agreed to reform core elements of the land transport revenue system

- 1 The Land Transport (Revenue) Amendment Bill (the Bill) covers amendments to both the Road User Charges (RUC) and tolling systems. The amendments are being progressed together as an omnibus bill with the single broad policy objective of supporting a user-pays basis for funding land transport.
- 2 In July 2024, Cabinet agreed to the Revenue Action Plan that would inform the initial steps in redesigning New Zealand's land transport revenue system [CBC-24-MIN-0063 refers]. The Bill will make significant progress towards two of the five actions:
 - 2.1 Out of Scope
 - 2.2 Action 5: Transitioning the fleet to road user charges.
- 3 The Bill also progresses the commitment in the Coalition Agreement between the New Zealand National Party and ACT New Zealand to "work to replace fuel excise taxes with road user charges for all vehicles, starting with electric vehicles and to use tolling to fund infrastructure".

The Bill gives effect to Cabinet decisions regarding the RUC system

- 4 On 24 July 2025 Cabinet agreed to specific proposals for changes to the Road User Charges Act 2012 (the RUC Act) [ECO-25-MIN-0118 refers]. These changes aim to promote more private sector involvement in the RUC system, increase flexibility for innovation in RUC payment solutions and make compliance easier. The Bill will enact the proposals that Cabinet agreed to in July 2025 for legislative changes to modernise the RUC system, including:
 - 4.1 removing all requirements to display, carry, and produce RUC licences
 - 4.2 removing the requirement that electronic distance recorders must be provided by electronic system providers (ESPs), and enable the separate approval of an electronic distance recorder (that may include technology provided by vehicle manufacturers) by the RUC collector
 - 4.3 creating a separate role of a RUC provider who will issue RUC licences and collect RUC in accordance with regulations.
 - 4.4 creating a regulation-making power to prescribe matters relating to RUC retailers including the application processes, criteria for approval of a RUC provider and regulation of RUC information-handling by providers
 - 4.5 enabling alternative payment schemes to be prescribed for all types of RUC vehicles. This amends the regulation-making power for these schemes to remove a limitation that they may only apply to RUC vehicles fitted with an electronic distance recorder.

Secondary legislation will build on these changes

- 5 Secondary legislation will provide further detail of the changes to the RUC system and how users interact with it. These regulations are essential for a successful transition, and some will need to be made prior to the commencement of the Bill. The specific regulations may vary depending on findings from market engagement and subsequent interests. For example, regulations will be required to appoint new RUC providers, enable specific alternative payment schemes, and for the approval of electronic distance recorders.

Additional policy decision sought to broaden an existing offence

- 6 Cabinet authorised the Minister of Transport to make further policy decisions consistent with the overall policy, for confirmation when the Bill is considered for introduction [ECO-25-MIN-0118 refers]. There is one relevant amendment, which is in scope of this delegation.
- 7 Section 46 of the current RUC Act makes it an offence for an ESP to, without reasonable excuse, fail to report to the RUC collector any tampering (or suspected tampering) with an electronic system, or knowingly provides false or misleading information to the RUC collector. A person who commits this offence is liable on conviction to a fine up to \$75,000.
- 8 The Bill provides that ESPs will now be a subset of RUC providers. The draft Bill expands the obligations to report tampering of an electronic system to RUC providers. In doing this, the Bill broadens the corresponding offence to RUC providers.
- 9 The above changes will in effect be a new offence to a RUC provider. This is a consequential amendment in giving effect to the creation of the role of RUC provider, so is a decision that you are authorised to make, consistent with the overall policy of the Bill.

One change agreed by Cabinet does not require legislative change

- 10 Cabinet agreed in August to enable collection of other land transport charges (tolls and time of use charges) alongside RUC. The Parliamentary Counsel Office has advised that the existing legislation does not prevent the use of data obtained by an ESP for those purposes, provided the vehicle operator agrees, therefore this proposal is not in the Bill.

Comment from the Office of the Privacy Commissioner

- 11 The Office of the Privacy Commissioner (OPC) has reiterated that any provisions in the Bill relating to the collection, use and disclosure of personal information must be in accordance with requirements under the Privacy Act and uphold New Zealanders' expectations of privacy. Three additional recommendations have been suggested relating to responsibilities of RUC providers and data protection. These have been incorporated accordingly. OPC will have a further opportunity to review the Bill during consultation.

Sharing the RUC aspects of the draft bill with the Stakeholder Reference Group

- 12 Members of the Stakeholder Reference Group (SRG)¹ requested an opportunity to comment on the draft Bill prior to introduction. The SRG has supported our advice for past year and will likely continue to be closely engaged as we progress the transition. Sharing RUC aspects of the Bill provides further opportunity to identify key issues and help us prepare for or mitigate any unexpected public reaction at introduction.
- 13 We consider the risk of sharing is minimal, given the draft Bill reflects policy decisions as agreed by Cabinet and proactively released Cabinet papers. We will reemphasise confidentiality requirements prior to sharing, subject to your agreement.
- 14 Cabinet Office Circular CO (19) 2 enables you, as the Minister responsible, and the Ministry's Chief Legal Advisor to approve the release on certain grounds. We propose to release draft sections of the Bill given the draft legislation will be released to a small, pre-determined group outside the Crown on an in-confidence basis and subject to legal professional privilege.

Out of Scope

¹ Members of the Stakeholder Reference Group are Aimee Wiley, Alan Seay (Motor Industry Association), Barney Irvine (Northern Infrastructure Forum), Greig Epps (Imported Motor Vehicle Industry Association), James McDowall (Motor Trade Association), James Smith (National Road Carriers), Mark Stockdale (Transporting New Zealand), Mayor Nick Smith (Nelson City Council).

Out of Scope

Next steps

20 The Bill is planned to proceed on the following timeline.

Step	Date
Submission of the draft Bill, LEG paper, and cover briefing for Minister's review	9 October 2025
Ministry submits the updated LEG paper to the office for ministerial consultation	14 October 2025
Ministerial and departmental consultation (in parallel)	20 – 28 October 2025
Ministry provides the final LEG paper to the Minister's office	29 October 2025
Lodgement	30 October 2025
LEG paper considered by Cabinet Legislation Committee	6 November 2025
Cabinet confirmation	10 November 2025

Out of Scope

Step	Date
Bill introduced	Mid November – December 2025
Select Committee	December 2025 – Mid 2026
Committee of the Whole House, Third Reading and Enactment	Mid 2026

- 21 To give effect to RUC decisions, Cabinet has invited you to report back to the Cabinet Economic Policy Committee by June 2026 on the expected market response to these changes, including how the market response can be responded to through secondary legislation and the Code of Practice, and on any cost and funding implications [ECO-25-MIN-0118 refers]. We will provide you with advice in early November 2025 on NZTA's estimated costs for implementing the legislative changes and options for funding.
- 22 In early November 2025, we will provide you with documents supporting a Request for Information (RFI) process to assess market interest in commercial RUC opportunities. This timing will ensure the RFI can align with introduction of the Bill and that respondents can consider the proposed legislation. We will work with your office on public communication material relating to the Bill and RFI.

- 23 Out of Scope

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29 October 2025

OC250979

Hon Chris Bishop

Action required by:

Minister of Transport

Thursday, 30 October 2025

LAND TRANSPORT (REVENUE) AMENDMENT BILL: UPDATED CABINET LEGISLATION COMMITTEE PAPER FOLLOWING CONSULTATION

Purpose

This briefing seeks your approval to lodge a Cabinet Legislation Committee (LEG) paper for consideration on 6 November 2025 that reflects ministerial and departmental feedback.

Key points

- Ministerial and departmental consultation on the *Land Transport (Revenue) Amendment Bill* ran from 20 October to 28 October 2025. Only minor changes have been made to the draft Cabinet paper as a result. Feedback received and our responses are included in **Annex 1**. The feedback related mostly to implementation matters (such as timeframes) and details to be addressed in future work (secondary legislation or as part of the longer-term RUC transition) that do not require changes.
- The Parliamentary Counsel Office (PCO) has identified some further changes, which are set out below. PCO is seeking Cabinet Office approval for late lodgement of the Bill to address some additional technical matters and complete final proofing.
- The Cabinet paper notes that the Bill is consistent with the Bill of Rights Act 1990 (BORA). We have been working with the Ministry of Justice, and while we have not yet received the final BORA check, we have received no indication of concerns. We will provide you information for your talking points if any concerns are raised.

Tolling provisions

- The attached LEG paper includes the detailed policy decisions you made under your delegated authority for confirmation by Cabinet [OC250759 and OC250825 refer].
- One of the detailed decisions referenced in the LEG paper relates to the new infringement offence for heavy vehicles using restricted alternative routes [OC250759 refers]. We previously advised that liability for this offence would sit solely with the vehicle's registered person (generally the legal owner). However, to align the offence with existing toll infringements, we seek your confirmation that liability should sit with the registered person, but it can be

transferred to the driver of the vehicle. The registered person remains liable for paying the toll itself.

RUC provisions

- A provision has been included allowing current RUC agents (such as the Automobile Association and VTNZ) to operate for six months from commencement, after which they must go through the new approval process contained in the Bill.
- Certain RUC provisions will commence six months from the date of enactment (or earlier by Order in Council), as some provisions are reliant on other implementation steps (such as Regulations, Code of Practice, or system upgrades). The six months reflects Cabinet decisions that the new system will be in place from 2027 and assuming Royal Assent in July 2026.
- We plan to engage with potential RUC providers from November 2025 to February 2026. We will provide you with separate advice on the engagement approach by 12 November 2025.
- NZTA estimates the total implementation cost for the RUC proposals is \$15.4 million, to be funded from existing sources. We will provide further advice on this in the coming weeks.

Next steps

- Once LEG committee has confirmed the paper, the next step is the Bill to be introduced into the House. The Bill's first reading is scheduled for 18 November 2025. We will provide your Office a draft speech, legislative statement, and press release to support this. The proposed timetable for the Bill, as set out in the LEG paper, is:

Step	Date
Lodgement	30 October 2025
Possible late lodgement of final Bill by PCO	3 November 2025
Paper considered by Cabinet Legislation Committee	6 November 2025
Cabinet confirmation	10 November 2025
Bill introduced	11 November 2025
First reading	18 November 2025
Select Committee	November 2025 – mid 2026
Committee of the Whole House, Third Reading and Enactment	By July 2026

Recommendations

We recommend you:

- 1 **note** that Ministerial and departmental consultation ended on 28 October 2025 and is summarised in Annex 1
- 2 **agree** that for the new offence for heavy vehicles on alternative routes, liability sits with the registered person or driver, in line with the existing toll offence Yes / No
- 3 **agree** to lodge the Cabinet Legislation Committee paper by Thursday 30 October for consideration on 6 November 2025 Yes / No



 Anna Wilson Farrell
Director – Revenue
 29 /October / 2025

 Hon Chris Bishop
Minister of Transport
 / /

Minister's office to complete:

- ☐ Approved
 ☐ Declined
☐ Seen by Minister
 ☐ Not seen by Minister
☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director – Revenue	s 9(2)(a)	✓
Matthew Skinner, Manager, RUC Transition		
Genevieve Woodall, Manager, Revenue		

Annex 1: Feedback from departmental consultation

Agency	Feedback	How we have addressed
Office of the Privacy Commissioner	The Office of the Privacy Commissioner reiterated the need to protect personal information handled by RUC providers and strongly encouraged the use of secondary legislation (regulations) to set explicit privacy requirements.	We will continue to work with the Office. It is not clear that the objectives concerned require any new regulation making power.
New Zealand Police	Police sought clarity on how NZTA will enforce the new tolling offence and expect to be consulted on the detailed RUC policy later.	NZTA is undertaking implementation planning on the new tolling offence. We will continue to involve the Police in the RUC transition work.
NZ Transport Agency (RUC)	NZTA is concerned about the six-month commencement date, recommending it be removed or extended to 12 months as they cannot guarantee implementation readiness at this time. NZTA also raised several other matters, including the need for intermediate sanctions for RUC providers and better information-sharing provisions to enable the RUC Collector to obtain customer information from RUC providers.	We will be working closely with NZTA to identify priority actions required to enable implementation within the timeframe set in the Cabinet policy approvals for the Bill. We have advised NZTA that proposals to enable better access to user information held by providers fall outside the scope of policy approvals for the current Bill and will be considered as part of the transition of the petrol fleet. We consider that some issues raised by NZTA will be able to be addressed through secondary legislation or codes of practice, including the need for measures to address provider non-compliance short of suspending or revoking approval.
NZ Transport Agency (Tolling)	NZTA provided minor feedback about tightening provisions relating to exemptions for the proposed infringement offence for heavy vehicles on alternative routes.	We consider that NZTA's suggestions have merit and will look to address them through the Departmental Report during the Select Committee process.
Ministry of Housing and Urban Development (HUD)	HUD indicated that there may be interactions that will need to be managed between tolling and Infrastructure Funding and Financing levies and development levies.	We will continue to work with HUD through implementation to manage any interaction between tolling and the relevant levies. We consider that this interaction can be managed through implementation planning and policy, rather than through primary legislation.
Ministry for Primary Industries (MPI)	MPI indicated support for the provisions enabling toll revenue to be used on alternative routes but requested more detail on how local authorities could access this funding. They indicated support for the new heavy vehicle offence is the revenue for the infringement offence be directed towards local road upgrades. MPI also raised minor matters, including requesting that references to bridges be included when discussing new or existing roads.	We are currently working with NZTA on implementation planning for how local authorities can access funding for maintenance of alternative routes. The new infringement offence is aligned with existing toll infringement offences, with any funds raised being directed towards the consolidated fund. We consider that road bridges are already captured in the legal definition of "road."
Ministry of Justice	Justice sought clarification on whether heavy emergency vehicles could be exempted from the restriction to using an alternative route.	An exemption for emergency vehicles is not expressly provided for but could be exempted through a tolling order.

We also consulted with the following agencies which had no substantive feedback: Inland Revenue, Ministry of Business Innovation and Employment (Fuel Markets, Competition, and ACC policy), Department of Internal Affairs, and Customs.



12 November 2025

OC251033

Hon Chris Bishop

Action required by:

Minister of Transport

Monday, 17 November 2025

TRANSITION TO ROAD USER CHARGES: MARKET ENGAGEMENT

Purpose

This briefing outlines the Ministry's plan to commence market engagement by releasing a Request for Information (RFI) through the Government Electronic Tenders Service (GETS) and seeks a decision on whether you wish to issue a media release to promote the RFI.

Key points

- You informed Cabinet in July 2025 that you would undertake a RFI to build on findings from a previous RFI in 2024. On 10 November 2025, Cabinet approved the Land Transport (Revenue) Amendment Bill (the Bill) for introduction. The Bill addresses the regulatory barriers identified in responses to the previous RFI, such as removing the requirement to display paper RUC labels and ensuring a level playing field between the New Zealand Transport Agency and other service providers.
- The objective of this RFI is to assess market readiness to offer new services to owners of existing RUC vehicles by 2027, and to identify any further barriers or areas where government may need to support market participation. This information is necessary to inform policy decisions on how and when to transition the whole vehicle fleet to RUC ahead of your report back to Cabinet in June 2026.
- Key messages for the market engagement are that:
 - o the Government wants to encourage a competitive market for RUC services to develop, and to enable innovation
 - o services need to be easy to use, cost effective and protect people's privacy
 - o new technology and services can be offered to existing customers in 2027, once legislation is in place. Beyond 2027, the whole fleet will move to the new system.
- Insights from responses to the RFI may include:
 - o the areas in which respondents see commercial opportunities (e.g. payment options, end to end service, plug-in devices) and whether there is likely to be sufficient coverage to meet the needs of all vehicle owners

- o the types of technology available and any delivery constraints such as time and cost
 - o conditions for market entry (e.g. scale, certainty of transition timeframes, ability to adopt a particular commercial model) and any barriers that providers cannot solve alone
 - o how solutions might be designed to meet the needs of a diverse range of vehicle owners (in response to a range of user scenarios presented in the RFI material)
 - o how solutions might be designed to protect the privacy of users and land transport revenue.
- The draft RFI and accompanying information memorandum are annexed.

Next steps

- We plan to release the RFI on 21 November 2025 - shortly after the Bill is introduced. This timing will increase awareness of the opportunity arising from publicity relating to the Bill and allow respondents to consider their input alongside the proposed legislative changes. Responses to the RFI will be due by mid-February 2026, to ensure that market feedback can be considered in our advice to you early next year on next steps for the transition.
- Given the commercial interests involved, it is important to ensure that we treat all potential service providers equally. For this reason, we will limit meetings with individual RFI participants to situations where discussion is necessary to better understand their feedback. Any new information relating to the commercial opportunities that arise in response to participants' questions will be shared with all participants.
- We will host information webinars over a period of two to three weeks following the release of the RFI and will work with your Office on our approach to further promote the opportunity.
- While the RFI is targeted at potential RUC providers, it may draw broader public attention due to the high level of interest in the transition. We will update our website with key messages, which we will share with your Office in advance. You may wish to issue a media release to support publicity of the RFI.
- The proposed timeline for the RFI and our advice to you is as follows:

Step	Date
Release the RFI on GETS	21 November 2025
Information webinars for RFI respondents	By 12 December 2025
Deadline for responses to the RFI	13 February 2026
Consider responses and prepare a summary report of the RFI responses	March 2026
Officials provide advice on next steps for the transition to RUC	March – April 2026
Report to Cabinet on the expected market response to the legislative changes, secondary legislation, and cost and funding implications.	June 2026

Recommendations

We recommend you:

- 1 **note** that the Ministry plans to release a Request for Information (RFI) in November 2025 to assess market readiness to offer new retail solutions to existing owners of RUC vehicles by 2027
- 2 **indicate** whether you would like to issue a press release announcing the release of the RFI. Yes / No



Anna Wilson-Farrell
Director - Revenue

12 / November / 2025

Hon Chris Bishop
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director - Revenue	s 9(2)(a)	✓
Matthew Skinner, Manager, RUC Transition		

**AIDE MEMOIRE**

3 December 2025

OC251075

Hon Christopher Bishop
Minister of Transport

PUBLIC SENTIMENT ON ROAD USER CHARGING**Purpose**

You have received a letter from EROAD with the findings of a survey, conducted from 8–20 October 2025, about the road user charges (RUC) transition. This aide memoire provides context to EROAD's findings alongside broader domestic and international research. **Attached** is also a draft response for you to send to EROAD.

Key findings from the EROAD survey (October 2025)

s 9(2)(ba)(i)

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Ministry comment on survey findings

- 3 As noted by EROAD, the findings are broadly consistent with the findings of international pilots and RUC studies, our meetings with experts working on RUC in the United States, Australia and Iceland, local and international research, and recent conferences the Ministry has attended.
- 4 For example, Iceland is progressing legislation transitioning to distance-based charging for all vehicles, with a similar RUC system to New Zealand's. A select committee is currently receiving public submissions. While some stakeholders endorsed the user-pays principle, they opposed the proposed design due to concerns regarding administrative feasibility, data collection, and rural equity. Some stakeholders also disliked the proposed single rate for light vehicles, as it does not account for emissions. Some respondents noted that support would depend on phased implementation, rural safeguards, and simpler administration.
- 5 California has run various RUC pilots over the past 10 years. The California Road Charge Pilot Program tested various methods for reporting mileage and collecting road taxes. The pilot's final report concluded that a RUC system is viable. It found higher levels of perceived fairness compared to a gas tax (73% of people following participation in the pilot relative to 66% from before the pilot started). The pilots identified the need for making system user friendly and providing ample choices for people and highlighted the need for continued public engagement to address privacy and cost concerns.

6 s 9(2)(ba)(i)

Themes in public sentiment research and RUC pilots

- 7 The following themes are informing the RUC Transition work and will be important to address to build public support for the change, and maintain revenue integrity:
 - 7.1 **Fairness** – the cost to recover petrol tax is low, and no RUC system internationally matches that efficiency yet. The *What New Zealanders think is a fair way to pay for infrastructure report* (Te Waihanga, 2024) notes that “concerns about fairness are at the heart of many current debates about infrastructure and who should pay”. Public acceptance relies on the approach and rates being perceived as fair.
 - 7.2 **Affordability** – affordability is a major concern in all research. *The Connected Vehicle Technology Survey* (NZTA, 2024) highlights that opposition often arises from viewing proposals as “an additional tax rather than a shift in payment methods”. The qualitative feedback explicitly links resistance to the “cost of living crisis”, with respondents stating they cannot afford another bill.
 - 7.3 **Privacy** – there is a tension between ease of use and privacy. People need to see value for them resulting from sharing information and giving vehicle owners a choice in the technology they use is critical. Findings from United States-based trials consistently show that concerns about privacy significantly reduce once users have used an electronic RUC system.

- 7.4 **Trust and transparency** – trust in the system, and transparency on both how the pricing is set, and how the revenue is used, are critical for public buy-in. Communications must distinguish between paying for road use and the RUC system's current administration.

Next steps

- 8 The New Zealand Automobile Association is surveying its members on similar issues. We will provide any findings as they are shared with us.
- 9 We will brief you in the new year on the RUC Transition work programme and approach to the themes covered in this brief.

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director - Revenue	s 9(2)(ba)(i)	✓
Matt Skinner, Manager, RUC Transition		

Attachment withheld in full under section 9(2)(ba)(i)



3 December 2025

OC251088

Hon Chris Bishop

Action required by:

Minister of Transport

Monday, 8 December 2025

LAND TRANSPORT (REVENUE) AMENDMENT BILL: INITIAL BRIEFING TO SELECT COMMITTEE

Purpose

To provide you with the draft Initial Briefing on the Land Transport (Revenue) Amendment Bill for review ahead of submission to the Transport and Infrastructure Select Committee.

We are providing you with the Initial Briefing to the Select Committee for your feedback

- Ministry officials have prepared an Initial Briefing to the Transport and Infrastructure Select Committee on the Land Transport (Revenue) Amendment Bill (the Bill). The briefing is subject to your feedback and includes:
 - background on tolling and road user charges (RUC)
 - the key features of the Bill and how it aims to improve the effectiveness of tolling and modernise the RUC system to prepare for the fleetwide transition
 - issues likely to be raised by submitters.

The Initial Briefing addresses issues that submitters may raise

- We expect submitters to raise concerns about the tolling of existing roads, restricting toll road alternative routes for heavy vehicles, potential privacy issues with digital RUC licences, and the commercial impact of the new RUC regime on existing RUC providers. We expect questions on issues that cut across RUC and tolling, such as concerns about potential privatisation of road infrastructure and services, and how different charges interact.
- The Bill includes safeguards to address many of these concerns which are highlighted in the Initial Briefing.

The Committee has requested the Initial Briefing by Monday, 8 December 2025

- The Committee has requested the Initial Briefing by Monday 8 December, and officials will present it to the Committee on Thursday 11 December. A set of slides based on the content of the Initial Briefing will support officials' presentation.
- Following this meeting, the Bill is scheduled to progress along the below timeline.

Date	House and legislative stage
8 December 2025	Officials share Initial Briefing with the Committee
11 December 2025	Officials meet to discuss the Initial Briefing with the Committee
8 January 2026	Public submissions close
29 January 2026	Oral submissions heard by Committee
5 March 2026	Officials provide Departmental Report to the Committee
March – May 2026	Committee consideration – revision tracked versions of the Bill and Committee commentary prepared
18 May 2026	Committee report back due
May – June 2026	Second Reading, Committee of the Whole House, and Third Reading.

Recommendations

We recommend you:

- note** that the Ministry has produced an Initial Briefing on the Land Transport (Revenue) Amendment Bill for the Transport and Infrastructure Committee attached in Annex One
- agree** to the attached Initial Briefing, subject to any feedback by Monday 8 December Yes/No



Anna Wilson-Farrell
Director - Revenue

03 / December / 2025

Hon Chris Bishop
Minister of Transport

..... / /

Minister's office to complete:

- | | |
|--|---|
| ☐ Approved | ☐ Declined |
| ☐ Seen by Minister | ☐ Not seen by Minister |
| ☐ Overtaken by events | |

Comments

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director - Revenue	s 9(2)(a)	✓
Matt Skinner, Manager, RUC Transition		
Jamie Kendrick, Principal Advisor, Revenue		

ANNEX ONE: DRAFT INITIAL BRIEFING TO SELECT COMMITTEE ON THE LAND TRANSPORT (REVENUE) AMENDMENT BILL

Refused under section 18(d).

This document is publicly available here: https://www3.parliament.nz/resource/en-NZ/54SCTIN_ADV_d31385e9-dd9d-4cbd-c52d-08de22297aa7_TIN8234/10b8806802a20586847e1704f84909cb44ab2e7c

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13 May 2026

OC260374

Hon Chris Bishop

Action required by:

Minister of Transport

Monday, 18 May 2026

REGULATIONS FOR THE LAND TRANSPORT (REVENUE) AMENDMENT BILL: APPROVAL TO CONSULT

Purpose

- To seek your agreement to consult on proposed road user charges regulations for the Land Transport (Revenue) Amendment Bill (the Bill).

Key points

- Consultation on proposed road user charges (RUC) regulations under the Land Transport (Revenue) Amendment Bill is planned to commence on 18 May 2026 and run for four weeks, to support the implementation of the Bill.
- Although minor and technical, the regulations are essential for the Bill to operate. They will enable new RUC providers, technologies, and payment models to participate. Cabinet approval is not required because the regulations implement policy already agreed for the Bill.
- Your agreement to consult does not commit you to final regulatory settings, administration fees, or detailed operational requirements. These will be refined following consultation and further decisions sought where required before being presented to Cabinet.
- The draft consultation document (Annex 1) seeks feedback on the workability, proportionality, and implementation risks of the proposed regulatory framework. This includes electronic distance recording, provider approvals, performance requirements, information protection and privacy, and alternative payment schemes.
- Submitters may raise concern the administration fee structures are not available for their feedback. Consultation is not required as the fees will be reduced. The consultation document provides an update on the ongoing review of RUC administration fees. The fees will be included in the regulations when they are finalised.
- To enable the regulations to come into force alongside the Bill, Cabinet Legislation Committee approval is required by s 9(2)(f)(iv). The proposed timeline is tight but achievable, subject to feedback from consultation.

Recommendations

We recommend you:

- 1 **agree** to consult on proposed regulations to be made under the Road User Charges Act 2012 (as would be amended by the Land Transport (Revenue) Amendment Bill), covering:
 - electronic distance recording
 - approval of RUC providers
 - performance requirements and monitoring
 - information protection and privacy
 - alternative payment schemes

Yes / No
- 2 **note** the consultation document includes an update on the ongoing work to develop the RUC administration fees, it does not include regulation proposals for the fee amounts
- 3 **provide** any feedback you have on the draft consultation document attached (Annex 1) Yes / No
- 4 **note** that in July 2025, Cabinet invited you to report back to ECO by June 2026 on the expected market response to the legislative changes
- 5 **s 9(2)(f)(iv)** Yes / No
- 6 **note** the proposed timeline to enable the regulations to be passed in time to come into effect with the Land Transport (Revenue) Amendment Bill.



Anna Wilson-Farrell
Director - Revenue

13 / May / 2026

Hon Chris Bishop
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director - Revenue	s 9(2)(a)	
Hannah Malloch, Principal Advisor		✓

CONSULTATION ON REGULATIONS FOR THE LAND TRANSPORT (REVENUE) AMENDMENT BILL

The Land Transport (Revenue) Amendment Bill relies on regulations to come into effect

- 1 The Land Transport (Revenue) Amendment Bill (the Bill) is intended to ensure that key revenue tools support a user-pays system for funding land transport. This includes making changes to tolling and removing barriers to the transition from fuel excise duty to a universal road user charging (RUC) system.
- 2 The Bill will establish a new overarching framework across the RUC system. RUC regulations are also required to establish consistent, operationally detailed settings to support the introduction of new participants (RUC providers), technologies, and payment models. Regulations outside the Bill are not required to implement tolling amendments.

Scope of the proposed regulations

- 3 The draft consultation document proposes regulations across five areas:
 - 3.1 **Electronic distance recorders** – retaining relatively stringent requirements for heavy vehicles while adopting a more flexible outcomes-focused approach for light vehicles to support emerging technologies.
 - 3.2 **Approval of RUC providers** – establishing criteria for entry, including financial, operational, and technical capability.
 - 3.3 **Performance requirements** – setting ongoing obligations for revenue collection, data management, auditability, and compliance.
 - 3.4 **Information protection and privacy** – requiring compliance with the Privacy Act 2020 and associated safeguards for handling road user data.
 - 3.5 **Alternative payment schemes** – enabling different payment models, including post-paid systems, while ensuring revenue integrity.
- 4 These proposals for regulations are generally outcomes-focused to ensure that there is flexibility in the new RUC system for providers to innovate in their service delivery. There will be a code of practice developed to provide additional detail about specific requirements in the regulations, e.g. the specifics of how to meet the RUC Provider approval criteria.

Why consultation is needed

- 5 The development of the proposals in the draft consultation document was informed by:
 - 5.1 regular engagement with NZTA
 - 5.2 submissions to the Select Committee on the Bill
 - 5.3 the responses to the two Request for Information processes (November 2024 and February 2026).

- 6 The draft consultation document seeks feedback on whether regulation proposals are workable and proportionate and asks submitters to identify implementation risks and unintended consequences. We will use the feedback to further assess impacts on providers, technology developers, and road users, and inform final policy decisions prior to Cabinet consideration.
- 7 These regulation proposals would implement the detailed settings outlined in the Bill without reopening policy decisions already set by Cabinet. You may nevertheless wish to seek Cabinet approval, which would extend the timeframes by about four weeks. This puts at risk the ability for the regulations to come into force at the same time as the Bill.

Consultation risks and mitigation

- 8 Submitters may raise concern the administration fee structures are not available for their feedback in the consultation document. On 30 April 2026 we provided you with an update on NZTA's funding reviews [OC260022 refers]. s 9(2)(f)(iv)

- 9 While consultation is not required, the consultation document includes an update on the ongoing work to develop the RUC administration fees. It does not include regulation proposals for the fees or their dollar amounts.

- 10 The consultation document notes that the regulations will need to provide for a revised administration fees structure to reflect the separation of NZTA's roles into collector and provider. It also notes new RUC administration fees will be introduced to recover the RUC Collector costs of approval, audit, and monitoring functions on an 'actual and reasonable cost' basis.

- 11 Other issues likely to be raised by stakeholders include the following:

11.1 **The balance between prescriptive and outcomes-based regulation:** Submitters may consider the outcomes-based requirements are too vague to justify the cost of becoming a RUC provider. They may emphasise they require certainty before investing and applying to be a RUC provider. We have mitigated this risk by emphasising the rationale for this approach in the draft consultation document and by noting that further detail would be provided through the Code of Practice.

11.2 **Privacy and data security requirements:** submitters may question why the RUC Collector will have powers to access the information of a private business who is acting as a RUC provider. This requirement is necessary to ensure integrity of the RUC system.

Timing and next steps

- 12 Consultation on regulations will run from 18 May to 12 June 2026, starting immediately after the Select Committee report back. The Ministry will support your office with any communications required. When the consultation period opens the Ministry will also email stakeholders to direct them to the consultation document.

- 13 We will discuss the feedback from submitters with NZTA. The feedback will be used to refine the regulation proposals and drafting instructions for Parliamentary Counsel Office.
- 14 In July 2025, Cabinet invited you to report back to ECO by June 2026 on the expected market response to the legislative changes, including how this can be supported through secondary legislation and the Code of Practice, and on any cost and funding implications [ECO-25-MIN-0118 refers].
- 15 We propose delaying this report back and including it in the Cabinet paper seeking policy decisions for the proposed regulations. The report back will include an update on progress with modernising the RUC system and outline next steps to support the transition of the full fleet to RUC.
- 16 The regulations are intended to come into force alongside the Bill and must be confirmed in advance of provider approvals, expected in s 9(2)(f)(iv). This is the timeline for passing the regulations alongside the passage of the Bill which is also expected to be considered by the Cabinet Legislation Committee in s 9(2)(f)(iv).

Date	Milestone
Monday 18 May to Friday 12 June 2026 (four-week period)	Consultation Note: No Regulatory Impact Statement is required for this consultation
s 9(2)(f)(iv)	Departmental and ministerial consultation on the Cabinet paper (concurrent)
	ECO committee meeting
	Cabinet
	PCO draft the regulations
	Cross-departmental consultation on the LEG paper and Ministerial consultation on the LEG paper (concurrent).
	LEG committee meeting
	Cabinet
	Regulations notified in the New Zealand Gazette

Annex 1 – The attached draft consultation document is refused under section 18(d) of the OIA as it is now publicly available here - https://consult.transport.govt.nz/policy/proposed-regulations-for-road-user-charges/user_uploads/road-user-charges-regulations-consultation-document.pdf



21 May 2026

OC260386

Hon Chris Bishop

Action required by:

Minister of Transport

Tuesday, 2 June 2026

LAND TRANSPORT (REVENUE) AMENDMENT BILL – AMENDMENT PAPERS

Purpose

To seek your approval to progress amendment papers for the Land Transport (Revenue) Amendment Bill (the Bill) at the Committee of the Whole House stage.

Key points

- The Transport and Infrastructure Committee (the Committee) reported back on 18 May 2026. The Bill includes your decisions on matters for inclusion in the departmental report, and several changes to improve the consistency and workability of the legislation.
- We have identified the need for further technical changes that were not addressed through the select committee process. These changes are needed to ensure the Bill operates as intended:
 - o **Road user charges (RUC):** refine transitional arrangements for existing entities that sell RUC licences; clarify provider remuneration and appeal settings; and strengthen provider oversight.
 - o **Out of Scope**
- These changes are consistent with the Committee's recommendations and previous Cabinet decisions, so further Cabinet approval is not required. If you agree to these amendments, we will work with the Parliamentary Counsel Office to prepare amendment papers for your consideration ahead of the Bill's Committee of the Whole House stage.

Recommendations

We recommend you:

- 1 **agree** that the Land Transport (Revenue) Amendment Bill be amended to:

Road user charges

- exclude entities that do not sell RUC licences to members of the public from transitional arrangements deeming them to be RUC providers for six months Yes / No
- clarify that the RUC Collector will not pay commission to entities that are deemed to be RUC providers under the transitional arrangements Yes / No

- ensure that a decision to decline an alternative payment scheme can be appealed Yes / No
- ensure that fit and proper person requirements for RUC provider applications can also apply to individuals who exercise control over a RUC provider. Yes / No

Out of Scope

- 2 **note** that Cabinet approval is not required for the amendment papers Yes / No
- 3 **note** that NZTA has asked for an amendment paper to set a commencement date of 1 March 2027, instead of six months after Royal Assent Yes / No
- 4 **agree** to retain the commencement date of six months after Royal Assent, and that if the Bill progresses more quickly than expected, we will provide further advice. Yes / No



Anna Wilson-Farrell
Director - Revenue

21 / May / 2026

Hon Chris Bishop
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved☐ Declined☐ Seen by Minister☐ Not seen by Minister☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director – Revenue	s 9(2)(a)	
Rachel Crawley, Principal Advisor RUC Transition		✓

LAND TRANSPORT (REVENUE) AMENDMENT BILL – AMENDMENT PAPERS

Background

- 1 The Land Transport (Revenue) Amendment Bill updates the legislative framework for road user charges and tolling to ensure that revenue tools support a user-pays system for funding land transport.
- 2 The Bill as reported back includes several technical changes intended to improve the consistency and workability of the legislation governing RUC and tolling.
- 3 The key changes made by the Committee in relation to RUC are:
 - **Alternative payment schemes** – the Bill now provides that approval of each scheme is a regulatory decision for the RUC Collector, rather than requiring Cabinet approval through secondary legislation. This enables technically informed decisions to be made by the regulator, while maintaining transparency and accountability.
 - **Administration fees** – the Bill as reported back provides for a separate administration fee for the RUC Collector and separate service fees for RUC providers, including NZTA. It also requires NZTA's service fee, as a provider, to be reasonable and limited to cost recovery. This responds to concerns that fees collected by NZTA as the RUC Collector should not subsidise its provider functions.
 - **Agency as a provider** – the Bill as introduced required the RUC Collector to approve NZTA as a RUC provider. The Bill now provides that NZTA is a provider from the date the Act commences, removing the need for a separate approval process while ensuring the agency is subject to the same performance standards as private providers.
 - **Monitoring and review** – the Bill clarifies the RUC Collector's power to monitor and review providers, including any agents or contractors they engage. This responds to submitter concerns about the need for effective oversight of third parties that collect land transport revenue and handle road user information.

4 Out of Scope



Out of Scope

Some further technical changes are needed to ensure the Bill operates as intended

Transitional provisions for deemed RUC providers

- 5 The Bill separates NZTA's roles as RUC Collector (the regulator) and RUC provider (an entity that sells RUC licences). The purpose of this separation is to open the market to enable a wider range of entities to apply to sell RUC licences. These entities would become regulated RUC providers approved by NZTA as the RUC Collector. This means that current arrangements whereby NZTA contracts with agents to sell RUC licences and pays them commission will end. Entities will need to apply to become RUC providers if they wish to continue operating in that role.
- 6 The Bill includes transitional provisions that deem entities currently selling RUC licences to be RUC providers for six months, to allow them time to make an application to NZTA under the new system.
- 7 Some of these entities, such as car yards and motor vehicle dealers, use the RUC system to licence their own vehicles rather than act as retail providers. Including these operators in the transitional arrangements contradicts the policy intent to provide continuity for the retail market. We propose amending the Bill to exclude these entities from the transitional arrangements.

Payment of commission to NZTA agents

- 8 Under the new market model, RUC providers will charge their own service fees and will not receive commission from NZTA. We propose making this explicit in the Bill to provide greater certainty for future RUC providers. We recommend including a new provision to clarify that the RUC Collector will not pay commission to entities that are deemed to be RUC providers under the transitional arrangements.

Right of appeal for alternative payment schemes

- 9 The Bill provides an appeal process to allow applicants to challenge the RUC Collector's decision to decline applications to be a RUC provider, electronic system provider or an alternative payment scheme operator.
- 10 For an operator to provide an alternative payment scheme, the scheme itself must also meet certain requirements set out in regulations. The appeal provision in the Bill covers decisions to decline applications to be an alternative payment scheme operator, but not decisions to

decline the scheme provider's proposal itself. This could leave applicants without a legal remedy if they meet the requirements to be an operator, but cannot offer their proposed services because the scheme itself is declined.

- 11 We propose amending the appeal provision to ensure that a decision to decline an application to approve an alternative payment scheme can be appealed.

Ensure that individuals who exercise control over a RUC Provider are fit and proper

- 12 The Bill allows regulations to set the requirements for approving a RUC provider, including fit and proper person requirements to ensure applicants have the necessary commercial and regulatory integrity.
- 13 The empowering provision in the Bill only covers the applicant. Because some applicants will be corporate entities, the integrity of the approval regime depends on also being able to assess individuals who exercise control or significant influence over the applicant, such as directors, who may change in the course of a company's approval as a RUC provider.
- 14 Not including this provision in the Bill was an omission. The policy intent is to ensure that RUC providers are suitable to handle government revenue and vehicle owners' personal information and payments. This is consistent with other parts of the transport system (for example, licensing requirements in the Land Transport Act 1998 for freight operators and passenger transport services).
- 15 The fit and proper person test provides a proportionate safeguard given the volume of revenue that will be handled and potential loss of public trust in the RUC system if mishandled. We propose broadening this provision to extend the fit and proper person requirements to individuals who exercise control over a RUC provider, consistent with the operation of fit and proper person requirements elsewhere in transport legislation.

Out of Scope

Out of Scope

Next steps

- 25 If you agree to the proposed amendments, we will work with the Parliamentary Counsel Office to draft the amendment papers for your consideration ahead of the Bill's Committee of the Whole House stage.

Out of Scope



30 June 2026

OC260521

Hon Chris Bishop

Action required by:

Minister of Transport

Monday, 6 July 2026

ROAD USER CHARGES REGULATIONS – AGREEMENT TO CONSULT ON DRAFT CABINET PAPER

Purpose

To seek your agreement to begin ministerial and agency consultation on the attached draft Cabinet paper for the Cabinet Economic Policy Committee on 22 July 2026.

Key points

- The draft Cabinet paper:
 - seeks agreement to the policy, and issuing of drafting instructions, for proposed regulations under the Land Transport (Revenue) Amendment Bill (the Bill)
 - reports back on progress to modernise the road user charges (RUC) system.
- The proposed regulations set minimum requirements for RUC providers. They are designed to protect revenue and public trust, without creating unnecessary barriers to innovation or private sector participation.
- Cabinet decisions are needed in July so that regulations can be drafted, approved, and communicated before the Bill commences, which is expected in early 2027.

- s 9(2)(f)(iv)

-

- The paper also reports back on feedback from the Ministry's Request for Information (RFI) process, which reflects strong market interest and highlights the need for regulatory certainty, clear timeframes, public trust, and effective enforcement.

Recommendations

We recommend you:

- 1 **note** that the attached draft Cabinet paper seeks agreement to regulations that will support a modernised RUC system and greater private sector participation
- 2 **note** that the draft Cabinet paper responds to Cabinet's invitation to report back on how market entry can be supported through secondary legislation and the Code of Practice, the expected market response to the legislative changes and the cost and funding implications of implementation
- 3 **note** that Cabinet decisions are needed in July so that regulations can be drafted, considered by the Cabinet Legislation Committee s 9(2)(f)(iv), and communicated before the Bill commences
- 4 **agree** that ministerial and departmental consultation on the draft Cabinet paper commence, with feedback due by 8 July 2026 Yes / No
- 5 **note** that officials will update the Cabinet paper to reflect consultation feedback and provide you with a final paper on 14 July for lodgement on 16 July 2026.



Anna Wilson-Farrell
Director - Revenue

30 / June / 2026

Hon Chris Bishop
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Anna Wilson-Farrell, Director – Revenue	s 9(2)(a)	
Rachel Crawley, Principal Advisor RUC Transition		✓

ROAD USER CHARGES REGULATIONS – AGREEMENT TO CONSULT ON DRAFT CABINET PAPER

Background

1. The draft Cabinet paper responds to Cabinet’s invitation to report back on how secondary legislation and the Code of Practice can support market entry, implementation costs, and the expected market response to the legislative changes in the Bill [ECO-25-MIN-0118 refers]. The paper also seeks policy agreement to the regulations that will need to be in place before the Bill commences.
2. Public consultation on the proposed regulations was open from 19 May to 12 June 2026.

s 9(2)(f)(iv)

3.

4. The Ministry received 44 responses to its RFI testing private sector interest in providing RUC services. This feedback informed the Cabinet paper’s report-back on expected market response to the legislative changes.

The proposed regulations protect revenue and public trust while allowing innovation

5. The regulations provide the operational foundation for a modernised RUC system and enable greater private sector participation. They set core requirements for provider approval, approval of electronic distance recording devices, provider performance standards, information protection and privacy, and alternative payment schemes.
6. These requirements seek to protect revenue and public trust, while allowing providers to design innovative, easy-to-use services. A proportionate, outcomes-focused and technology-neutral approach will allow a wider range of provider models and payment options, provided they maintain revenue integrity, safeguard user information, and support compliance.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

RFI feedback indicates strong potential for a competitive market to develop

9. Responses to the Ministry's RFI indicate strong potential for a competitive RUC market, provided there is regulatory certainty, public trust, effective enforcement, and clear transition timeframes.
10. The draft Cabinet paper notes that further decisions will be needed on transition timing, how and when fuel excise duty will be removed, compliance and enforcement settings, funding arrangements, and the approach to building and maintaining public trust.

Consultation

11. The proposed regulations and draft Cabinet paper incorporate feedback from NZTA. NZTA contributed additional detail to the proposed regulations to clarify requirements for regulated parties and to enable effective regulation. We will continue to work with NZTA during drafting to ensure that the regulations support effective implementation.

12. s 9(2)(f)(iv)

Next steps

13. If you agree, ministerial and agency consultation will begin on 6 July and close on 13 July 2026.

14. The table below sets out the next steps for finalising the Cabinet paper and regulations.

Step	Date
Departmental and ministerial consultation	6 – 13 July 2026
Officials provide updated Cabinet paper to your office	14 July 2026
Final Cabinet paper lodged with Cabinet Office	16 July 2026
Cabinet Economic Policy Committee (ECO) considers the paper	22 July 2026
Cabinet confirms the ECO decision	27 July 2026

s 9(2)(f)(iv)

IN C O N F I D E N C E**In Confidence**

Office of the Minister of Transport
Cabinet Economic Policy Committee

Modernising the road user charges system – regulations and report back**Proposal**

- 1 This paper:
 - reports on progress to modernise the road user charges (RUC) system and enable greater private sector participation
 - seeks agreement to the policy and issuing of drafting instructions for regulations under the Land Transport (Revenue) Amendment Bill (the Bill), to support system modernisation and greater private sector participation
 - notes that further policy decisions will need to be made at a later date to prepare for the full fleet transition once the modernised system is in place.

Relation to government priorities

- 2 This paper supports our commitment in the New Zealand National Party and ACT New Zealand Coalition Agreement to work to replace fuel excise taxes with electronic RUC for all vehicles. We successfully transitioned light electric vehicles to RUC from April 2024. Heavy electric vehicles will become subject to RUC from 1 July 2027.
- 3 Modernising the RUC system supports the Government's response to the independent National Infrastructure Plan, which includes an action to transition to fleetwide road user charges.

Executive Summary

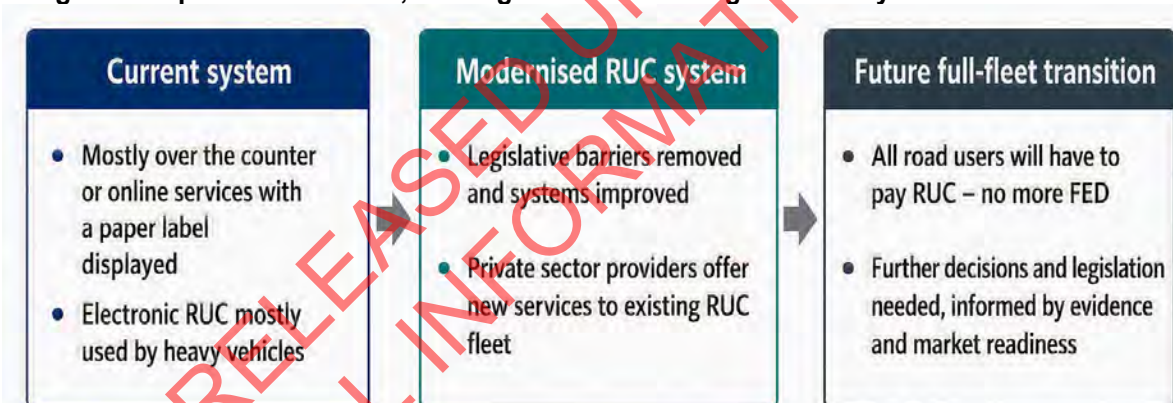
- 4 This paper seeks agreement to regulations that will provide the foundation for a modernised RUC system and enable greater market participation in new services for road users who currently pay RUC.
- 5 Responses to the Ministry of Transport's Request for Information (RFI) indicate strong potential for a competitive RUC market to emerge, with some prospective providers already making commercial investments in RUC-related services. Respondents were clear that certainty about regulatory requirements will be important to support market entry. Cabinet decisions are needed now so regulations can be drafted, approved, and communicated before the Bill commences.
- 6 The proposed regulations set core requirements for provider approval, electronic distance recording, performance standards, information protection and privacy, and alternative payment schemes. They are designed to protect system integrity, while allowing flexibility to innovate and design services that are easy to use.

- 7 This paper does not cover when or how the full light-vehicle fleet will move from fuel excise duty (FED) to RUC. That transition will be complex and will depend on high levels of compliance by road users, market readiness, and public trust. Decisions will be made once the market is sufficiently developed, informed by further engagement with industry stakeholders, road pricing experts, and the public. New legislation will be required.
- 8 I will report back in June 2027 on the evidence from early market development, any further regulatory changes to enable the transition, and the further decisions needed to support a successful transition.

Background

- 9 In August 2025, we announced a phased transition of the full vehicle fleet from FED to RUC, starting with modernising the system and enabling greater private sector participation. The current system is largely manual, with the New Zealand Transport Agency (NZTA) as the dominant provider and a small number of private providers, the largest of which primarily serve heavy vehicle operators and commercial fleets.
- 10 The transition pathway is set out below:

Figure 1: A phased transition, starting with modernising the RUC system



- 11 This paper responds to Cabinet's invitation to report-back on how market entry can be supported through secondary legislation and the Code of Practice, the cost and funding implications of implementation, and the expected market response to the legislative changes [ECO-25-MIN-0118 refers]. It also seeks policy agreement to the regulations needed before the Bill commences.
- 12 A key focus of the modernisation phase is to enable a competitive RUC market by removing barriers to new technology and solutions. In November 2025, my officials released a RFI to ask potential market participants about the regulatory, technical and commercial barriers or enablers that could affect market entry and implementation. **Appendix 1** summarises the key themes from RFI responses.
- 13 A consistent message from respondents was that providers need certainty about regulatory requirements. This paper seeks decisions on those requirements so they can be announced well in advance of the Bill's commencement.

Proposed regulations to protect system integrity

- 14 The proposed regulations are intended to lower barriers to market entry by giving prospective providers certainty about the requirements they must meet, while avoiding prescriptive settings that could constrain innovation and private sector entry to the market. RFI respondents proposed options such as fleet-management tools, automated services, different distance measurement methods, and more flexible payment models.
- 15 A proportionate, outcomes-focused and technology-neutral approach will allow a wider range of provider models and payment options to develop, provided they can protect revenue, safeguard road user information, and support compliance. This balance is intended to encourage private sector participation while maintaining public trust and the integrity of the RUC system. ^{s 9(2)(f)(iv)}
- 16 The proposed regulations:
- 16.1 set requirements for electronic distance recorders
 - 16.2 set approval criteria and performance standards for RUC providers, including alternative payment schemes (more flexible ways to pay RUC)
 - 16.3 set requirements for protecting road users' information and privacy
 - 16.4 update the fees that will be charged by the RUC Collector.
- 17 ^{s 9(2)(f)(iv)}
- 18 **Appendix 3** outlines the modernised RUC system, key participants, and how the proposed regulations support its operation.

Electronic distance recorders

- 19 The Bill authorises the RUC Collector to approve electronic distance recorders. ^{s 9(2)(f)(iv)}
- 20
- 21
- 22

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s 9(2)(f)(iv)

Approval of RUC providers

- 24 The Bill authorises regulations to set criteria for approving RUC providers, including electronic system providers¹ and alternative payment scheme operators². s 9(2)(f)(iv)

25

- 26 The RUC Collector would issue a code of practice to guide applicants and support consistent assessment.

Performance standards for RUC providers

- 27 The Bill authorises regulations prescribing performance standards for RUC providers, electronic system providers, and alternative payment scheme operators. s 9(2)(f)(iv)

28

Information protection and privacy

- 29 The Bill authorises regulations on how RUC providers collect, store, use, retain, disclose, and dispose of information. s 9(2)(f)(iv)

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¹ Electronic system providers are providers approved to operate electronic systems for recording distance and supporting RUC payment.

² Alternative payment scheme operators are providers approved to operate payment arrangements other than standard pre-paid distance licences.

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s 9(2)(f)(iv)

Alternative payment schemes

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Alternative payment schemes will give road users more flexible ways to pay their RUC than purchasing standard distance licences in advance. s 9(2)(f)(iv)

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Fee se

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s 9(2)(f)(iv)

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s 9(2)(f)(iv)

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Implementation work is underway to support commencement in early 2027

- 42 NZTA is progressing system and operational changes to implement the legislative changes. This includes, for example, upgrades to processes and the Motor Vehicle Register to support the removal of RUC labels, and making it easier for RUC providers' systems to seamlessly integrate with the RUC system. NZTA has also commenced work to develop codes of practice to support compliance by existing and new entrants with the modernised RUC system.
- 43 Ministry of Transport and NZTA officials will support prospective providers by providing guidance and engagement in late 2026 and early 2027 to inform the refinement of operational processes ahead of commencement.
- 44 The Ministry will monitor market development, including whether providers enter the system, can connect and operate, and offer services at scale. Progress will be assessed against clear milestones and indicators, with direct engagement to identify barriers early. An escalation model will support timely intervention if uptake is weaker than expected or providers face participation barriers, ensuring rollout risks are reflected in policy advice on the full fleet transition to RUC.

Implementation costs

- 45 Cabinet invited a report back in June 2026 on the cost and funding implications of the legislative changes. s 9(2)(f)(iv)

No additional Crown funding is sought through this paper.

Further policy decisions will be needed before the full fleet transition

- 46 Responses to the Ministry's RFI, which was open from November 2025 to February 2026, indicate that a competitive RUC market is likely to emerge when providers have regulatory certainty and a clear pathway for participation. Public trust, effective enforcement, clear timeframes, and a well-managed transition from FED to RUC will help the market develop at the pace and scale needed to support the full fleet transition.
- 47 There is a trade-off between providing early certainty about transition approach and timeframes and retaining flexibility to respond to market development and public readiness to adopt new services. Advice from officials' engagement with international road pricing experts and industry stakeholders has emphasised the importance of setting a clear direction while avoiding commitments that could create delivery or compliance risks if market capability is not yet sufficient.
- 48 Further decisions will be needed on the sequencing and timing of fleet groups, how and when FED will be removed, compliance and enforcement settings, funding arrangements, and the approach to building and maintaining public trust. If the market does not develop at sufficient scale or speed, government may need to consider intervention, such as further regulatory changes.

Work is underway to inform advice on the next phase of the transition

- 49 The modernisation phase will support early market development for the existing RUC fleet while preparation continues for the full-fleet transition. This will allow early evidence from the modernised system to inform later Cabinet decisions. **Appendix 4** shows the expected pathway from system modernisation to future transition decisions.
- 50 The full-fleet transition will require further engagement with experts and the public, detailed policy decisions, and new legislation, including to remove FED and manage any transitional period where FED and RUC interact.
- 51 My officials are progressing work on transition policy issues such timeframes for the transition, removing FED and future arrangements for functions funded by FED. This work will draw on international road pricing experience and behavioural insights to support public uptake and compliance in New Zealand. I will report back in June 2027 on next steps for the full-fleet transition.

Financial implications

- 52 The proposals in this paper do not require additional Crown funding.
s 9(2)(f)(iv) [REDACTED]
[REDACTED] They will be met from within NZTA's existing funding arrangements and recovered from fees over time.

Legislative implications

- 53 Regulations will be required to implement the policy proposals in this paper. Further primary legislation will be required for the later full-fleet transition, including changes needed to manage the transition between FED and RUC.

Impact analysis

- 54 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has been addressed by existing impact analysis [ECO-25-MIN-0118 of 23 July 2025 refers].⁴

Climate implications of policy assessment

- 55 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the thresholds for significance are not met.

Cost of living, Population, and Human Rights implications

- 56 There are no direct cost of living, population, or human rights implications arising from the regulatory proposals in this paper. However, these will be important considerations for future decisions on the full fleet transition.

Use of external resources

- 57 The Ministry of Transport makes prudent use of external resources to fill short-term gaps in staffing to ensure ministerial priorities proceed without disruption. As a result, I am advised one contractor contributed to work on aspects of this paper.

Consultation

- 58 The following agencies were consulted on this paper: [To come]. The Office of the Privacy Commissioner was also consulted.

- 59 Public consultation ran from 19 May to 12 June 2026. s 9(2)(f)(iv)

- 60 Officials also engaged the Ministry's Revenue Stakeholder Reference Group, international road pricing experts, and relevant overseas agencies to inform future RUC system design.

Communications

- 61 Officials will work with my office to prepare communications materials relating to the proposals in this paper.

Proactive Release

- 62 I intend to proactively release this paper within 30 business days of being confirmed by Cabinet, subject to appropriate redactions under the Official Information Act 1982.

⁴ <https://www.transport.govt.nz/assets/Uploads/RUC-RIS-updated.pdf>

Recommendations

The Minister of Transport recommends that the Committee:

- 1 **note** that Cabinet agreed in 2025 to a phased approach to transition the full vehicle fleet from fuel excise duty to road user charges, with the first phase focused on modernising the RUC system and enabling greater market participation; [EXP-25-Min-0053 refers];
- 2 **note** that the Land Transport (Revenue) Amendment Bill will provide the enabling framework for a modernised RUC system, with changes expected to commence in early 2027, and that regulations are needed to give full effect to the Bill and give certainty to prospective service providers;

s 9(2)(f)(iv)

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

s 9(2)(f)(iv)

Future transition decisions

- 12 **note** that further Cabinet decisions will be needed before setting a pathway for the full fleet transition;
- 13 **note** that the Minister of Transport intends to report back in June 2027 on next steps for the full fleet transition, including an update on market readiness.

[placeholder - Authorised for lodgement]

Hon Chris Bishop

Minister of Transport

Appendix 1 – Key themes from Request for Information responses

Appendix 2 – Proposed regulations: Land Transport (Revenue) Amendment Bill

Appendix 3 – Expected RUC market structure following system modernisation

Appendix 4 – Phases of the transition from FED to RUC

APPENDIX 1 – Key themes from Request for Information responses**Request for Information: Road User Charges – Services for Vehicle Owners***Context*

1. The Ministry of Transport issued a Request for Information (RFI) in November 2025 to test market interest and understand the regulatory settings and potential barriers and enablers affecting market entry.
2. Responses were received from 44 organisations, including current and prospective RUC service providers, over-the-counter and agent networks, electronic and fleet-management providers, and technology and platform providers.

Key themes

3. The following themes from the RFI responses are most relevant to the proposals in this paper:
 - **There is strong potential for market development:** Responses indicated strong potential for a competitive market to develop, with regulatory certainty, clear approval requirements and sufficient implementation lead-in time helping to support investment and market entry.
 - **There are opportunities to provide new services for road users:** Respondents proposed more flexible, user-friendly and technology-enabled services, including digital RUC accounts, fleet-management tools, automated distance recording, integrated payment channels, reminders and more flexible purchase or payment options.
 - **Safeguards are needed to protect system integrity:** Respondents recognised the need for clear requirements for distance recording, revenue collection and remittance, assurance, audit and enforcement.
 - **Clear rules for road user information will build trust:** Responses highlighted the need for clear rules for collecting, using, storing and protecting road user information, particularly for digital or automated services.
 - **A clear transition will help the market scale:** Respondents noted that market development will depend on clear government signals, ongoing engagement, operational guidance and confidence in the scale of the transition.

P1
P2
P3
P5

The RUC Collector sets the standards including approvals and monitoring performance.

Road User Charges RUC Collector (NZTA)

System regulator · Collects revenue · Compliance monitoring and enforcement · Maintains RUC register

RUC revenue

Distance purchased

Approval & oversight

Providers offer a range of RUC services for users including:

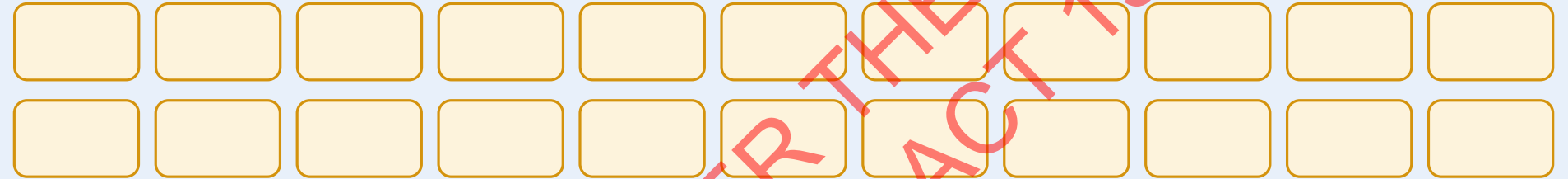
- Over-the-counter services
- Alternative Payment Schemes
- Distance measurement
- Electronic RUC solutions (optional for road users)

P4

Providers must protect users' privacy and data.

RUC Providers

Issues RUC licences · Collects payments · Pays regulated fee



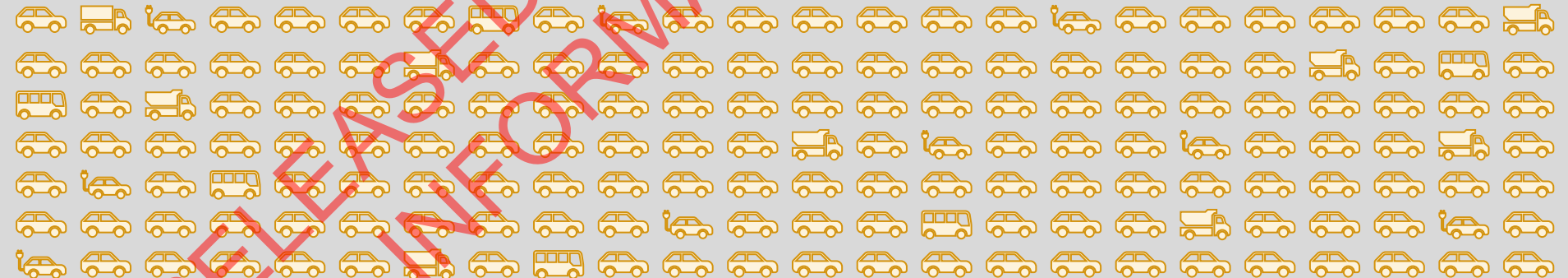
RUC payment

Distance travelled

RUC licences

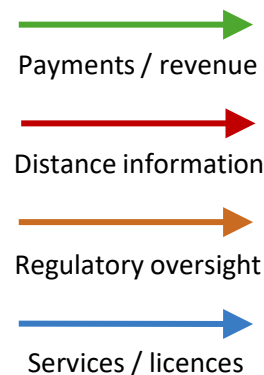
Road Users

Light diesel vehicles · Heavy vehicles · Electric Vehicles · Fleets · Individual owners



Vehicle owners choose from a range of service providers to help them monitor and pay for RUC

Key



Regulations

P1 Electronic distance recorders

Outcomes-focused requirements for electronic distance recorders.

P2 Provider approval

Established criteria for approving RUC providers and information to be included in applications.

P3 Performance standards

Ongoing performance standards for approved RUC providers and obligations to keep and provide records to the RUC Collector.

P4 Privacy & data protection

Requirements for RUC providers to demonstrate compliance with the Privacy Act 2020 and relevant provisions of the Road User Charges Act 2012.

P5 Alternative payment schemes

RUC Collector approval of alternative payment schemes. These schemes will offer road users more flexible ways to pay their RUC, such as subscriptions or pay-after-use.

Modernising the RUC system now, with transition decisions to follow

A phased, evidence-led approach to transitioning the full light-vehicle fleet to RUC

IMMEDIATE PRIORITY

Modernise the system, remove barriers to private sector participation and enable a competitive market to develop





**Ministry for Cities, Environment,
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Transitioning New Zealand's fleet to RUC

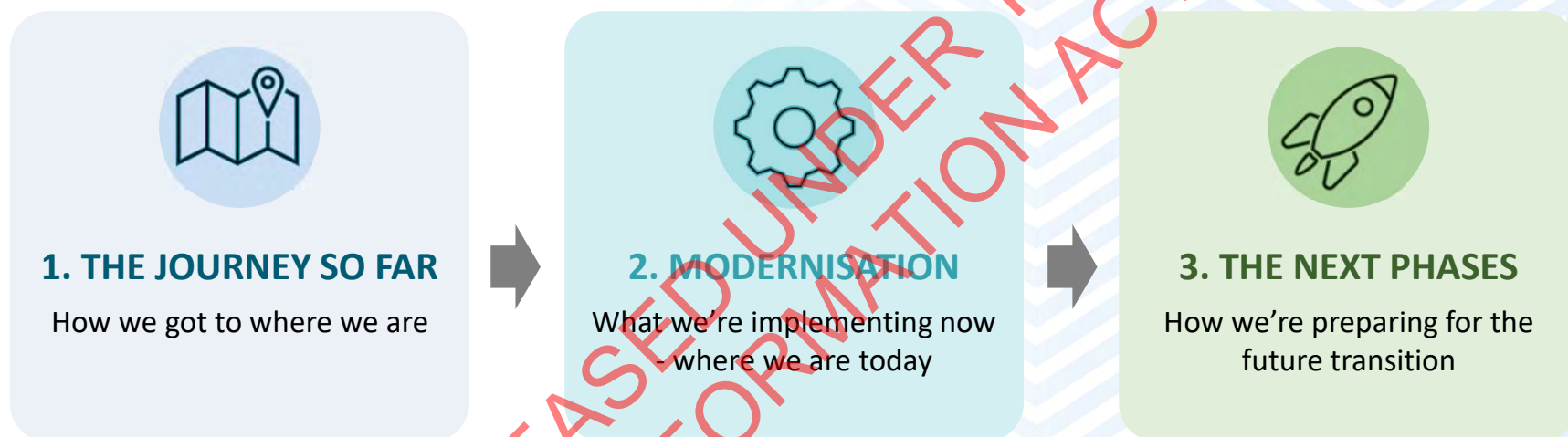
7 July 2026



7 July 2026

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Road user charges – where we’ve come from, where we are now, and where we’re going



Anna Wilson-Farrell
Director – Revenue



Matt Skinner
RUC Engagement Lead



Ministry for Cities, Environment,
Regions & Transport

Modernising transport revenue: where RUC fits in



The Land Transport Revenue Action Plan commits revenue reforms, including **RUC transition**, **tolling reform** and **time of use charging**. This was reaffirmed in the Government response to the National Infrastructure Plan, alongside a commitment to review the land transport funding system.



Fair & efficient



Users pay for their actual road use



More transparent and consistent charging



Supports efficient use of the network



Sustainable funding



Revenue can keep pace with investment needs



Revenue adapts as the fleet changes



Supports long-term infrastructure funding



Simple & modern



Better ways of monitoring network use



More choice and competition

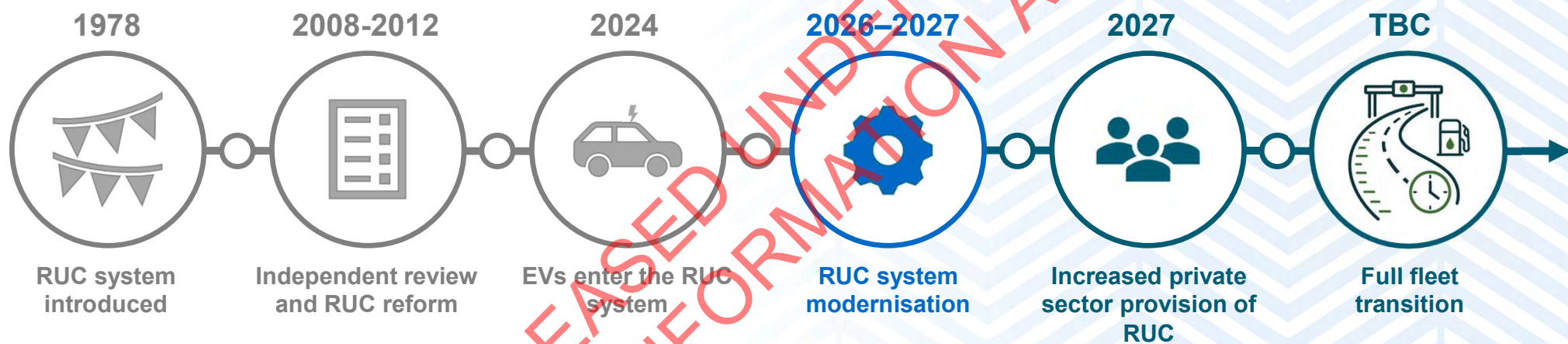


Innovative services and better user experience

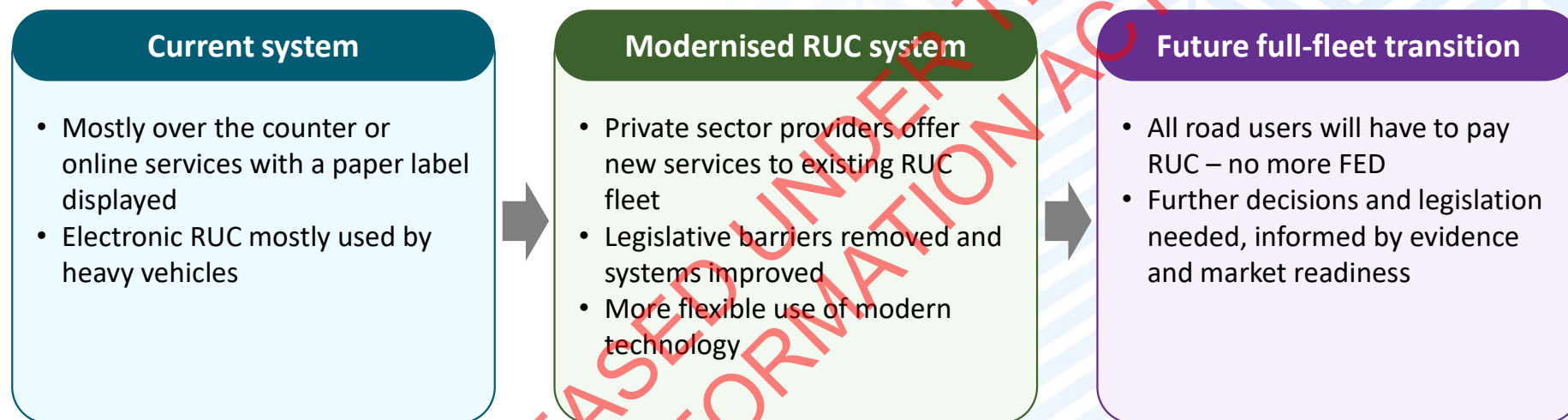


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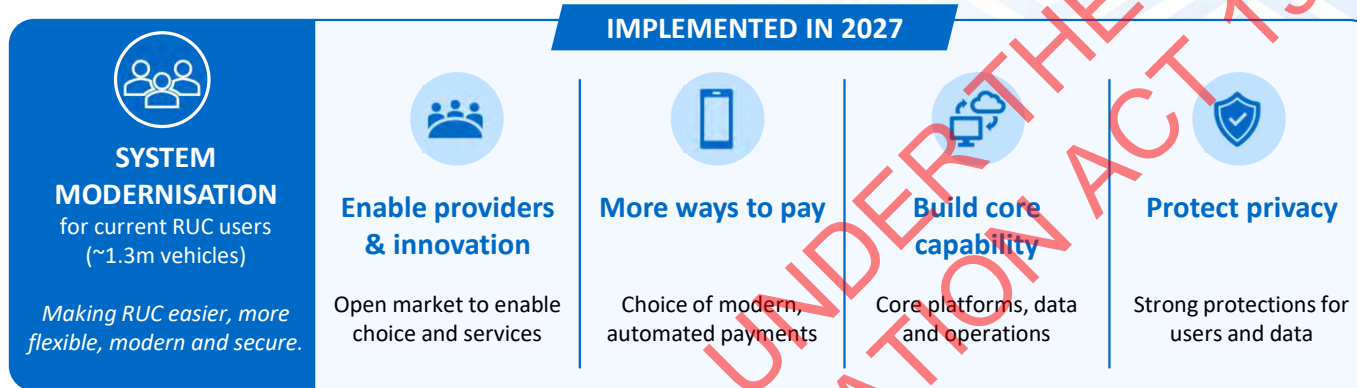
We're modernising a system that was designed for a different era



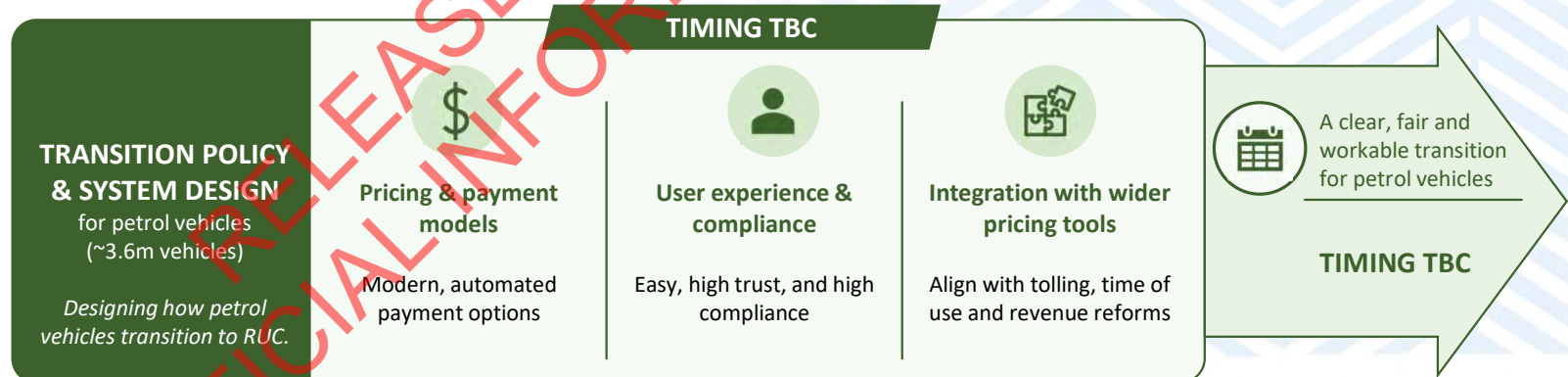
Modernisation comes first – the full fleet transition comes later



This builds the foundation for the transition



Modernisation enables transition, so the transition direction has shaped the modernisation



The market is ready to help deliver RUC services



Who responded?

44 organisations

- experience providing RUC or similar services in New Zealand or overseas
- operating different businesses in New Zealand, with an interest in offering RUC services
- new businesses that see an opportunity for providing RUC services



Retail RUC providers
(online, apps etc)



Electronic and fleet
management providers



Technology and platform
providers



Over-the-counter and agent
networks



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Modernisation is about enabling a competitive market

RUC Collector

System regulator | Collects revenue | Compliance monitoring and enforcement | Maintains RUC register

RUC Providers

Providers will offer a range of service models – from simple purchase through to fully automated charging

Existing ways to pay

Manual

Over the counter pre-purchase



Online

Online pre-purchase on NZTA website



New and emerging provider models (examples)

Supported digital

Apps and auto-buy



Utility-type model

Monthly invoices



Automated

Live-odometer readings



eRUC

Using OEM vehicle data



Road users

Can choose what provider to use, based on their preferences and needs (or continue to use their current preferred mechanism)



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Different people, different needs

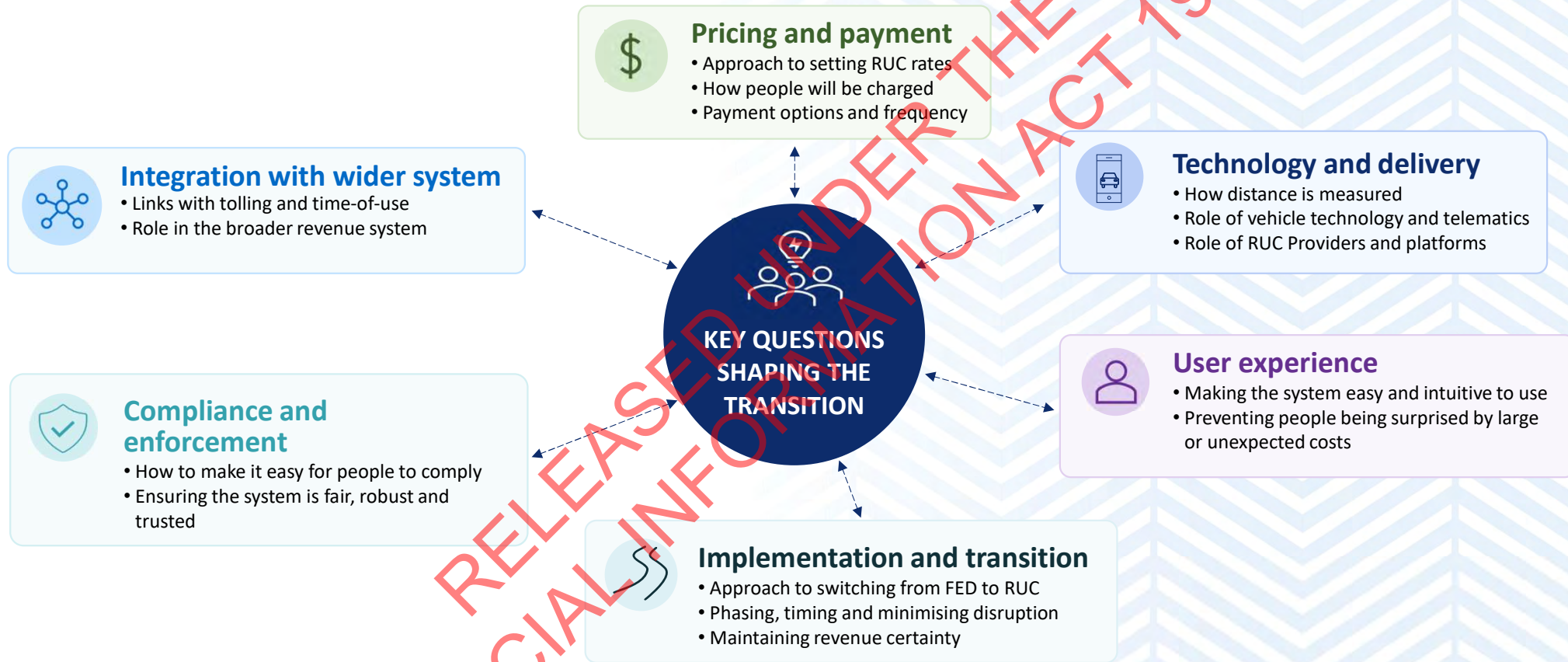
USER NEED	EVIDENCE
 Physical access Some people will need to rely on physical channels	~120,000 people do not have a bank account
 Assisted support Some people will need support to engage	~310,000 households do not have internet access at home
 Privacy and control People will expect control over their data	80% of people want control over how their data is collected and used
 Digital self-service Many people will prefer digital, self-service options	96% of people aged 15+ are internet users
 Automated services Some people will want easy, set-and-forget options	Vehicle-integrated and automated options are likely to increase over time as trust and acceptance grows

Sources: Reserve Bank of New Zealand; Statistics NZ; Office of the Privacy Commissioner.
 Figures rounded and indicative.



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 Regions & Transport

There's a lot to do before transitioning petrol vehicles



What we learn from modernisation will shape the next phases



Market growth and uptake

- ✓ How will the private sector respond to the system changes?
- ✓ What are the barriers to entering or scaling?
- ✓ How much competition and innovation will we see?
- ✓ To what extent will users sign up to private sector RUC providers and new tech options?
- ✓ Is RUC easy for users?



System performance

- ✓ Have we got the overall settings right to support a transition?
- ✓ What are the further opportunities to improve RUC?



Informing the next phases

- ✓ What big questions still need resolving?
- ✓ What should we be testing next?





**Ministry for Cities, Environment,
Regions & Transport**

Ngā mihi

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Cabinet paper – Road User Charges regulations and report back

Date:	22 July 2026	Priority:	Medium	Tracking number:	OC260604
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To	Action sought	Response by
Hon Chris Bishop Minister of Transport	Approve the attached Cabinet paper for lodgement with Cabinet Office on 30 July 2026	29 July 2026

Contact for discussion (if required)

Name	Position	Telephone	1 st contact
Anna Wilson-Farrell	Director - Revenue	s 9(2)(a)	☒
Rachel Crawley	Principal Advisor, RUC Transition		

Action for Minister's Office staff

Lodge the Cabinet paper with Cabinet Office by 10am, Thursday 30 July 2026.



Purpose

To seek your agreement to lodge the attached Cabinet paper for consideration by Cabinet Economic Policy Committee (ECO) on 5 August 2026.

Key points

- The attached Cabinet paper seeks agreement to the policy and issuing of drafting instructions for regulations needed to support implementation of the Land Transport (Revenue) Amendment Bill (the Bill).
- Ministerial and agency consultation on the Cabinet paper has been completed, with no concerns raised.
- The paper seeks a delegation for you to set fees for the modernised road user charges (RUC) system on a cost recovery basis. The fees must be actual and reasonable and only cover the New Zealand Transport Agency's (NZTA) costs as part of its role as RUC Collector (i.e. not costs associated with NZTA's role as a RUC provider). The administration fee must be lower than the current fee.
- We previously advised that we would provide advice on the proposed fees in August 2026 and that we expect the administration fee paid by road users to reduce [OC660521 refers]. This is consistent with our advice to the Transport and Infrastructure Select Committee, which raised concerns about the level of the fee charged to road users.
- Fee amounts are a key risk to private sector providers entering the market. Submitters on the regulations and prospective providers have emphasised that high approval or ongoing fees could deter participation. Certainty on the fees is needed to support investment and readiness ahead of market entry in 2027.

s 9(2)(f)(iv)



Recommendations

1. We recommend you:

- a. **note** that the attached Cabinet paper seeks agreement to the policy and issuing of drafting instructions for regulations needed to support the Land Transport (Revenue) Amendment Bill
- b. **note** that the attached Cabinet paper seeks a delegation for you to set fees on a cost recovery basis where the fees are actual and reasonable and the administration fee is lower than currently, and that we will provide advice on proposed fees in August 2026
- c. **agree** that the Cabinet paper seek agreement to defer the June 2027 report back to September 2027, to allow time to monitor private sector participation following commencement of the Bill Yes / No
- d. **agree** that the attached Cabinet paper be lodged on 30 July 2026 for consideration by ECO on 5 August 2026. Yes / No

Anna Wilson-Farrell
Director - Revenue

22 / July / 2026

Hon Chris Bishop
Minister of Transport
..... / /

Comments



Cabinet paper – Road User Charges regulations and report back

Background

1. The purpose of modernising the RUC system is to enable a competitive provider market that gives road users more choice and supports innovation. To achieve this, the reforms are intended to remove barriers to market entry. This includes providing certainty about approval requirements, including fees.
2. You agreed to ministerial and agency consultation on the attached draft Cabinet paper [OC660521 refers]. The paper seeks agreement to the policy and drafting instructions for regulations to bring the new approval framework into effect, and to delegate fee decisions to you before Cabinet Legislation Committee (LEG) considers the regulations in September. It also reports on market readiness, drawing on feedback from the Ministry's Request for Information (RFI), and identifies further decisions to support the future full fleet transition.
3. Cabinet decisions will allow regulations to be drafted and approval requirements to be announced soon after the Bill is enacted, giving prospective private sector RUC providers time to prepare ahead of the Bill's expected commencement in early 2027.

Ministerial and agency consultation on the draft Cabinet paper raised no concerns

4. No feedback was received through ministerial consultation. Agency feedback was broadly supportive: The Treasury, NZTA and the Office of the Privacy Commissioner supported the proposals and suggested refinements, which have been incorporated where appropriate. The Ministry of Social Development, Ministry for Regulation and New Zealand Police had no concerns about the proposals, but commented on matters to consider for the future full fleet transition.
5. The main feedback themes and responses were:
 - **Privacy protections:** Agencies emphasised the need to protect personal information and public confidence. The Office of the Privacy Commissioner sought clearer explanation of how the proposed regulations interact with the Privacy Act 2020, which is incorporated into the paper.
 - **Fee-setting delegation and reviews:** The Treasury had no concerns about delegating fee-setting powers to the Minister of Transport. It recommended clarifying the timing of the next fee review, which has been addressed.
 - **Regulation drafting:** NZTA suggested minor clarificatory changes, which have been incorporated into the paper.
6. We have also made some additional minor editorial and clarificatory changes to the Cabinet paper.



The draft Cabinet paper recommends a report back in September 2027

7. We have made one substantive change to the Cabinet paper. Cabinet previously invited you to report back in June 2027 on the evidence from early market development, any further regulatory changes to enable the transition, and further decisions needed to support a successful transition.
8. As the Bill has not yet been passed and will not commence until early 2027, we recommend that you seek Cabinet agreement to amend that decision and invite you to report back in September 2027. This will allow sufficient time to monitor private sector participation. The Cabinet paper has been amended to seek this agreement.

The draft Cabinet paper seeks authority for you to set fees

9. New fees will be required when the Bill commences. The Cabinet paper seeks agreement to delegate fee-setting decisions to you, so fees can be finalised through an expedited process and included with the draft regulations for consideration by LEG.
10. Industry stakeholders, RFI respondents and submitters on the regulations have emphasised that fee levels are critical to private sector participation. High approval or ongoing regulatory fees could deter participation and undermine the objective of a competitive RUC market.
11. The Cabinet paper notes that fees set under this delegation must be based on cost recovery and that the administration fee paid by road users must be lower than the current fee and exclude RUC provider costs. This is consistent with our advice to the Transport and Infrastructure Select Committee and the consultation document on the proposed regulations.

s 9(2)(f)(iv)



Next steps

16. If you agree, we will work with your office to lodge the Cabinet paper by 30 July 2026 for consideration by ECO on 5 August 2026.
17. If Cabinet agrees to the proposals we will instruct Parliamentary Counsel to draft the regulations for consideration by LEG on 24 September 2026 (subject to passage of the Bill by that date).
18. We will continue working with NZTA to refine the fee model and provide further advice in August, including whether the fees meet the delegation criteria and support market entry. If you agree to the proposed fees, they will be included in the regulations for consideration by LEG.

Attachment withheld in full under section 9(2)(f)(iv).

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Land Transport (Revenue) Amendment Bill - Amendment Paper

Date:	30 July 2026	Priority:	High	Tracking number:	OC260605
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To	Action sought	Response by
Hon Chris Bishop Minister of Transport	Agree to include additional market access and technical provisions in an Amendment Paper.	3 August 2026

Contact for discussion (if required)

Name	Position	Telephone	1 st contact
Anna Wilson-Farrell	Director - Revenue	s 9(2)(a)	
Louise Hornabrook	Manager - RUC Transition		☒

Action for Minister's Office staff

Choose an item.

[UNCLASSIFIED]

Purpose

1. This paper seeks your agreement to include additional provisions in the Amendment Paper to be moved at the Committee of the Whole House stage.

An Amendment Paper is being drafted

2. On 25 May 2026, you agreed to progress an Amendment Paper for the Land Transport (Revenue) Amendment Bill (the Bill) [OC260386 refers]. That decision authorised the drafting of provisions relating to transitional arrangements, commission payments, appeal rights, and fit-and-proper person requirements.
3. PCO is drafting the Amendment Paper, and we propose further amendments to the Bill be included in it. Cabinet authorised you to make further policy decisions during drafting, provided they remain consistent with the overall policy [ECO-25-MIN-0118 refers].
4. Several amendments also support the secondary legislation paper scheduled for ECO consideration on 5 August 2026. They ensure the Bill contains the empowering provisions needed to implement Cabinet's decisions on the regulations.

We recommend additional changes to support a competitive RUC provider market

5. We propose drafting clarifications that support competitive neutrality between all RUC providers, including NZTA. These changes respond to feedback from potential private sector providers and are consistent with Cabinet's decision to establish a competitive market in which NZTA operates on the same basis as other providers [ECO-25-MIN-0118, paragraphs 2.3 and 2.6 refer]. The changes are technical and within the agreed policy intent, so no further Cabinet approval is required. The proposed additions are in three areas:
 - adding a purpose clause to the Subpart dealing with RUC providers to clarify that the overall objective of the RUC provider framework is to ensure operators of vehicles have options in a competitive market to pay charges conveniently. The express reference to a competitive market coupled with the duty to assist are designed to ensure that the RUC collector behaves in an even-handed way between all RUC providers
 - requiring the RUC collector to use reasonable endeavours to help approved RUC providers carry out their functions, including assisting them to connect to information systems where the RUC collector has a particular ability to do so. This is to ensure barriers do not prevent fair market access
 - changing the collector's approval powers from a discretionary 'may approve' to a mandatory 'must approve' once an applicant satisfies all statutory criteria to provide certainty to applicants.
6. Including these provisions through an Amendment Paper reduces review timeframes and opportunities for public consultation. We consider this justified because the changes are technical and respond directly to feedback received during the recent consultation on regulations. Some of this feedback was more appropriately addressed through the Bill than in secondary legislation. For example, potential providers expressed concerns about NZTA's dual role as regulator and retail competitor. Explicitly stating the collector's functions and duties in respect of all providers

will clarify and reinforce the requirement that NZTA, as regulator, must act in a competitively neutral manner.

7. NZTA has agreed to the provisions setting out their duties as RUC collector to support a competitive market. NZTA consider the changes go no further than clarifying and making explicit functions and duties that were implied in the Bill.

Technical refinements

8. The remaining provisions are technical refinements, drafting corrections, or responses to agency feedback on the secondary legislation proposals. They would improve workability by:
- applying decision-making provisions consistently across all approval applications; applying fit-and-proper requirements continuously; and refining approval conditions and regulation-making powers
 - authorising the RUC collector to maintain the RUC register and disclose necessary vehicle data to RUC providers, to protect the Motor Vehicle Register from direct third-party access
 - clarifying information-gathering powers; suspension and revocation processes; and appeals to the District Court
 - clarifying technical rules for approved and unapproved electronic distance recorders; grandfathering existing devices; and narrowing the definition of system failures to avoid over-reporting minor errors
 - clarifying that RUC approvals are excluded from the definition of land transport documents and that RUC provider service fees are additional to standard road user charge rates.

Recommendations

9. We recommend you:
- | | |
|---|----------|
| a. agree to include a purpose provision clarifying that the objective of the RUC provider framework is to ensure options in a competitive market | Yes / No |
| b. agree to require the RUC collector to use reasonable endeavours to assist approved providers to carry out their functions | Yes / No |
| c. agree to change the RUC collector's approval powers to a mandatory requirement once an applicant satisfies all statutory criteria | Yes / No |
| d. agree to refine alternative payment scheme approval processes, fit-and-proper requirements, and regulation-making powers | Yes / No |
| e. agree to authorise the RUC collector to maintain the RUC register and disclose necessary vehicle data to RUC providers | Yes / No |
| f. agree to clarify procedures for information-gathering, suspension, revocation, and appeals to the District Court | Yes / No |
| g. agree to update technical rules for approved and unapproved electronic distance recorders and system failures | Yes / No |

- h. **agree** to clarify that RUC approvals are not land transport documents and that provider service fees are additional to standard charges Yes / No
- i. **note** that the Parliamentary Counsel Office will provide the final Amendment Paper to your office following a final review by the Ministry. Yes / No



Anna Wilson-Farrell
Director - Revenue
30 / July / 2027

Hon Chris Bishop
Minister of Transport
..... / /

Comments

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