

OC240097

5 March 2024



Tēnā koe 

I refer to your email on 2 February 2024, requesting the following information under the Official Information Act 1982 (the Act):

- *All written advice, including Cabinet papers, provided to the Minister of Transport on transitioning the public transport bus fleet to low and zero emissions vehicles*
- *All written advice, including Cabinet papers, provided to the Minister of Transport on congestion charging and its enabling legislation*
- *All written advice, including Cabinet papers, provided to the Minister of Transport on transitioning the fleet to paying RUC instead of FED*

We reached out to you to clarify the scope of your request. You confirmed you seek information provided to the current Minister of Transport.

The **annex** enclosed sets out the papers in-scope of your request. Certain information is withheld under the following sections of the Act:

- 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, 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.

As set out in the annex, one paper is publicly available on the Ministry of Transport's website. The annex provides the website address to where the document can be viewed. Section 18(d) provides a request may be refused if the information requested is already publicly available.

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](http://www.ombudsman.parliament.nz).

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

Nāku noa, nā



Matt Skinner  
**Manager Revenue Policy**

## Annex – Information in scope

Doc #	Reference number	Date	Title of Document	Decision on request
<b>Low emission or zero emission public bus fleet</b>				
-	Four documents fall within this part of the request.			Both the titles and the contents of the four documents is withheld under section 9(2)(f)(iv) of the Official Information Act 1982.
<b>Congestion charging</b>				
-	OC230930	18 January 2024	Time of Use Charging and tolling design choices	This paper is withheld under section 9(2)(f)(iv) of the Official Information Act 1982.
<b>Road User Charges</b>				
-	Cabinet paper, relevant minute is CAB-23-MIN-0494	18 December 2023	Road User Charges – Preparing the System for the Entry of Light Electric Vehicles	This document is publicly available on the Ministry of Transport website (address below), so your request for this document is refused under section 18(d) of the Official Information Act 1982. <a href="http://www.transport.govt.nz/area-of-interest/revenue/road-user-charges-system/">www.transport.govt.nz/area-of-interest/revenue/road-user-charges-system/</a>
1	OC230975	20 December 2023	Land Transport Revenue System	Document for release, with redactions under section 9(2)(g)(i) of the Act to protect the free and frank expression of opinions by officials. Phone numbers are also redacted under section (9)(2)(a) of the Act to protect personal privacy. Information not relevant to road user charges (or other elements of the request) has been removed as outside scope.
2	OC230850	20 December 2023	Accelerating the Transition to Road User Charges	Document for release, with redactions under section 9(2)(f)(iv) of the Act to maintain the confidentiality of advice tendered by Ministers and Officials. Phone numbers are also redacted under section (9)(2)(a) of the Act to protect personal privacy. Information not relevant to road user charges (or other elements of the request) has been removed as outside scope.



20 December 2023

OC230975

Hon Simeon Brown  
Minister of Transport

Action required by:  
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

- Out of Scope  

- 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:
  - potential opportunities to deliver streamlined, enabling road pricing legislation. For example, exploring the need for new time-of-use/congestion charging Out of Scope  

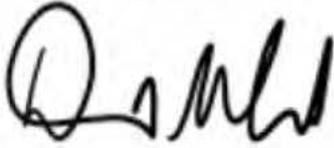
  - implementing your commitment to work to replace fuel excise duty with electronic road user charging for all vehicles. s 9(2)(f)(iv)  


**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		

Released under the Official Information Act

## LAND TRANSPORT REVENUE SYSTEM

Out of Scope

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Out of Scope

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** **Out of Scope**

Out of Scope

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Out of Scope



18 **Appendix 4** provides you with a more detailed overview Out of S RUC and congestion charging.

**Longer term options to ensure a sustainable land transport system**

Out of Scope



*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. s 9(2)(f)(iv)



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

25 As part of the decisions on shifting electric vehicles to RUC, s 9(2)(f)(iv)  
s 9(2)(f)(iv)

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# Revenue Tools - current and potential

For a future land transport revenue system

28 November 2023

Out of Scope

## Congestion charging

Not currently in use  
**s 9(2)(f)(iv)**  
Encourages people to rethink the time or mode of travel by charging them to use certain parts of the network at congested times.

The draft Bill proposes that the relevant territorial authority will receive the revenue. Who administers the collection of revenue is not determined **s 9(2)(f)(iv)**

Local

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.

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.

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Why use this tool?

Who administers the revenue?

What are our future opportunities?

Who pays?  
What's the revenue potential?



HIGHEST REVENUE POTENTIAL



LOWEST REVENUE POTENTIAL



# Revenue Tools - current and potential

For a future land transport revenue system

28 November 2023

Out of Scope

Pros

Cons

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## Congestion charging

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.

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

Out of Scope

# Road User Charges - current status, opportunities and choices

October 2023

Out of Scope

Out of Scope

## Potential broader changes



Moving all vehicles to RUC

s 9(2)(f)(iv)

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# Congestion Charging - current status, opportunities and choices

October 2023

s 9(2)(f)(iv)

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20 December 2023

OC230850

**Hon Simeon Brown**  
**Minister of Transport**

**Action required by:**  
Tuesday, 23 January 2024

## **ACCELERATING THE TRANSITION TO ROAD USER CHARGES**

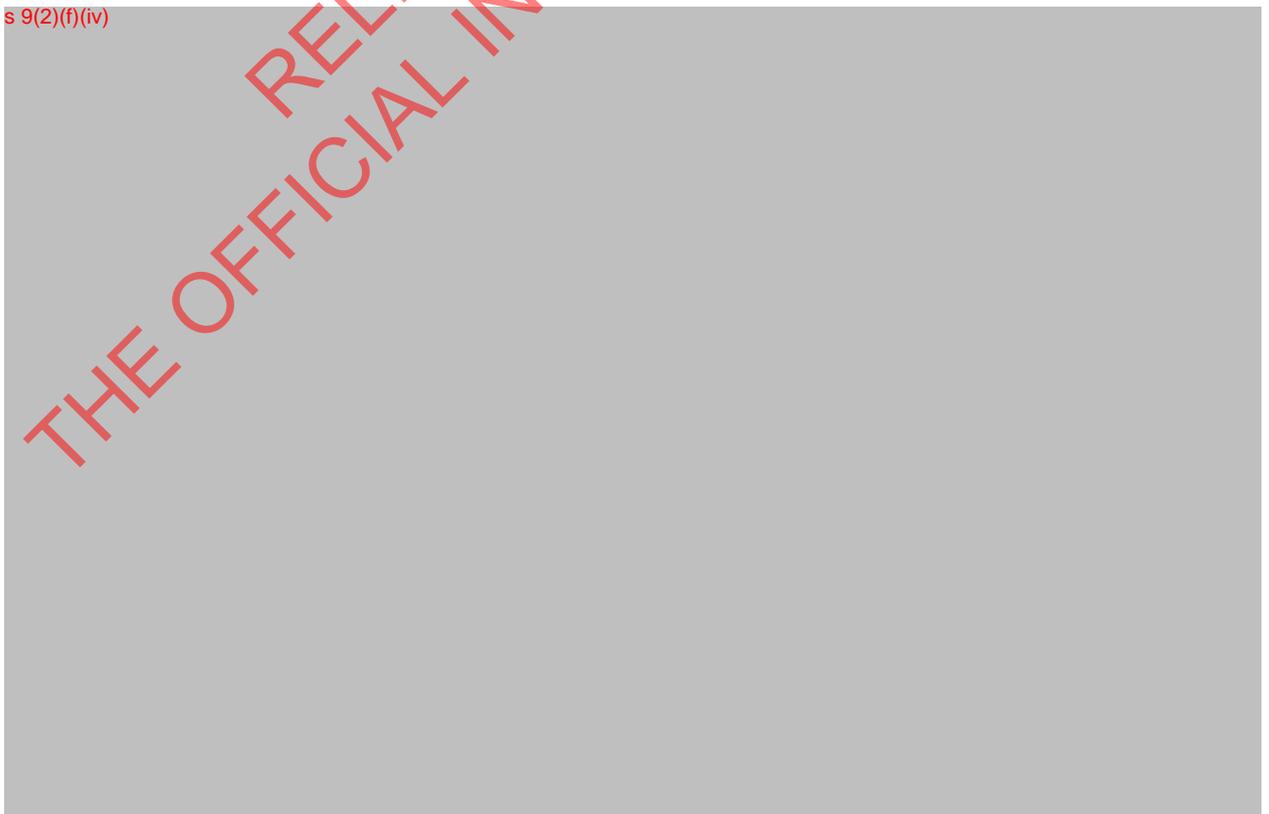
### **Purpose**

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.

• s 9(2)(f)(iv)



s 9(2)(f)(iv)



**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:
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**Comments**

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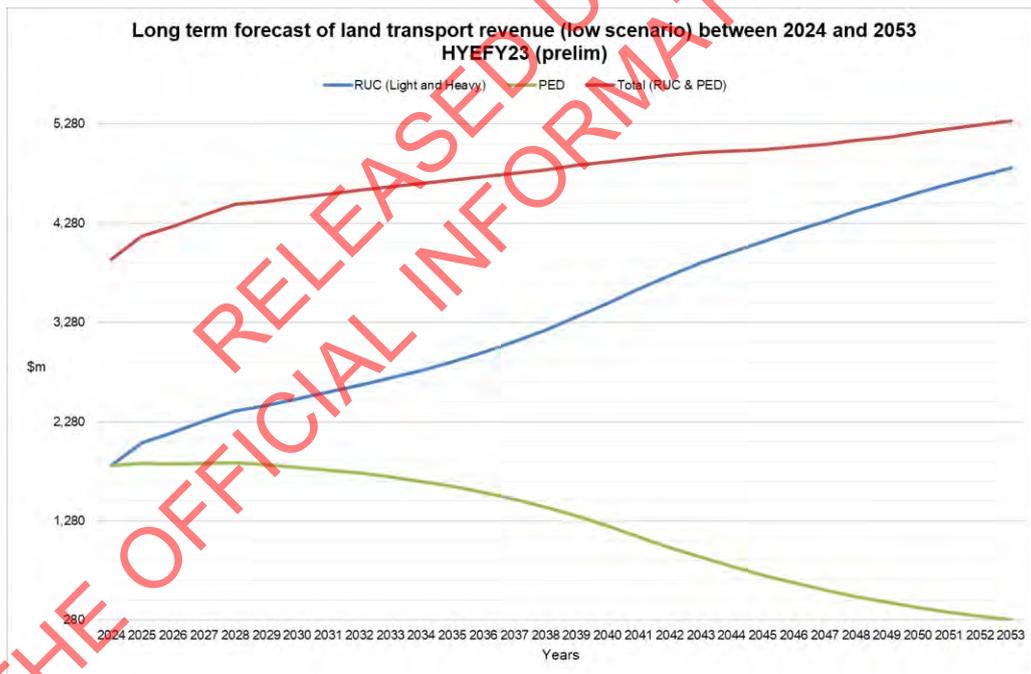
## ACCELERATING THE TRANSITION TO ROAD USER CHARGES

**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 forecast<sup>1</sup> 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.

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

3.2

s 9(2)(f)(iv)

*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.

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s 9(2)(f)(iv)

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- 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**.

s 9(2)(f)(iv)

*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.).

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

#### Indicative Timeline

December 2023

s 9(2)(i)(iv)

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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.