

OC230032

20 February 2023



Tēnā koe 

I refer to your email dated 23 January 2023, requesting the following under the Official Information Act 1982 (the Act):

"1) May I request a copy of MoT's most recent forecasting of the FED and RUC future revenue streams?

2) Given NZTA advises ERP's transport target 1 ("Reduce total kilometres travelled by the light fleet by 20 per cent by 2035" as a reduction in the the estimated 'business-as-usual' 2035 VKT) approximates to a mere 1% reduction on 2019 light vehicle VKT by 2035, does MoT have any assessments to give it confidence that the Government's Emissions budgets for the transport are achievable under the ERP targets? If so, please provide copies of such assessments."

The following document falls within the scope of your request and are detailed in the document schedule attached as Annex 1:

1. Half-Year Economic and Fiscal Update – 2022 – Forecast of National Land Transport Fund Revenue

Certain information is withheld under the following sections of Act:

9(2)(a) to protect the privacy of natural persons

Regarding 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.

Note: The Half-Year Economic and Fiscal Update report can be found here on the Treasury website:

<https://www.treasury.govt.nz/publications/efu/half-year-economic-and-fiscal-update-2022>.

Page 123 has a breakdown of Fuel Excise Duty, Motor Vehicle Registration, Road User Charges and Track User Charges.

The below is a response to your second question:

For the Emissions Reduction Plan, Te Manatū Waka estimated that Transport would likely achieve more than what the Climate Change Commission's analysis suggested¹ that Transport could contribute during the first emissions budget.

Aotearoa New Zealand's first emissions reduction plan: Technical information annex discusses the policies and measures quantified as part of the Emissions Reduction Plan. You can find the technical annex here:

<https://environment.govt.nz/assets/publications/Files/Aotearoa-New-Zealands-first-emissions-reduction-plan-Technical-information-annex.pdf>

Te Manatū Waka estimated that if Transport meets its four transport targets, given baseline projections and along with the quantified policies and measures, Transport would also achieve emissions reductions in line with what the Climate Change Commission's analysis suggested² for Transport for the second and third emissions budgets.

The four transport targets are:

- Target 1 – Reduce total kilometres³ travelled by the light fleet by 20 per cent by 2035 through improved urban form and providing better travel options, particularly in our largest cities.
- Target 2 – Increase zero-emissions vehicles to 30 per cent of the light fleet by 2035.
- Target 3 – Reduce emissions from freight transport⁴ by 35 per cent by 2035.
- Target 4 – Reduce the emissions intensity of transport fuel by 10 per cent by 2035.

The target for a 20% reduction in light vehicle kilometres travelled is against Te Manatū Waka Ministry of Transport's baseline projection for 2035. This is described in footnote 6 on page 173 of the Emissions Reduction Plan. This 20% reduction compared to the baseline projection of light vehicle kilometres travelled in 2035 is equivalent to a 1% reduction compared to light vehicle kilometres travelled in 2019.

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.

Nāku noa, nā



Joanne Leung

Chief Economist & Manager, Research, Economics and Evaluation

¹ Under the Climate Change Commission's Demonstration Path for emissions for Transport.

² Under the Climate Change Commission's Demonstration Path for emissions for Transport.

³ Kilometres refers to Vehicle Kilometres Travelled (VKT)

⁴ This target for freight transport includes emissions from trucks, rail and ships. It excludes light vehicles and aviation.

Annex 1 - Document Schedule

Doc#	Date	Document	Decision on release
1	December 2022	OC220995 Half-Year Economic and Fiscal Update – 2022 – Forecast of National Land Transport Fund Revenue	Released with some information withheld under section 9(2)(a).



1 December 2022

OC220995

Hon Michael Wood
Minister of Transport

Action Required by:
Wednesday, 7 December 2022

HALF-YEAR ECONOMIC AND FISCAL UPDATE 2022 - FORECAST OF NATIONAL LAND TRANSPORT FUND REVENUE

Purpose

This briefing provides you with an update on the 2022 Half-Yearly Economic and Fiscal Update (HYEFU 2022) forecast for the National Land Transport Fund (NLTF).

Key points

- HYEFU 2022 forecasts a 5.9 percent decrease in revenue for the 2021-24 National Land Transport Programme (NLTP 2021) compared to our previous forecast, Budget Economic and Fiscal Update (BEFU) 2022 [refer OC220209]. Of the forecast reduction in revenue for NLTP 2021, 84 percent occurs in 2022/23 and 13 percent in 2023/24.
- Compared to BEFU 2022, the reduction in forecast revenue is primarily because of the extension of the petrol excise duty (PED) and road user charges (RUC) reductions as part of the Government's cost of living support package¹. BEFU 2022 modelled FED discounts to expire on 15 August 2022 and RUC discounts to expire on 21 September 2022. HYEFU 2022 assumes these reductions end on 31 January 2023.
- HYEFU 2022 excludes the \$1.3 billion Crown appropriation to the NLTF to reimburse forgone revenue due to the reductions in PED and RUC [refer CAB-22-MIN-0263]. Including the full balance of the appropriation restores the forecast net position of NLTF revenue for NLTP 2021 to within ~\$50 million of the previous forecast.
- You have also received separate advice on revenue matters through the Land Transport Revenue Review, and the Government Policy Statement 2024. The HYEFU 2022 is the formal revenue forecast that estimates future revenue to the NLTF and can be evaluated against previous forecasts run.

¹ <https://www.beehive.govt.nz/release/govt-provides-more-cost-living-support>

Recommendations

We recommend you:

- 1 **refer** this briefing to Hon. Grant Robertson, Minister of Finance

Yes / No

PP C. Durrant

Marian Willberg
**Manager, Demand Management and
 Revenue**

30 / .11. / 2022

Hon Michael Wood
Minister of Transport

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

Name	Telephone	First contact
Marian Willberg, Manager, Demand Management and Revenue	s 9(2)(a)	✓
James McDevitt, Senior Adviser, Demand Management and Revenue		

HALF-YEAR ECONOMIC AND FISCAL UPDATE 2022 - FORECAST OF NATIONAL LAND TRANSPORT FUND REVENUE

We provide updated National Land Transport Fund (NLTF) forecasts to the Treasury for its six-monthly Economic and Fiscal Updates

- 1 We are required to forecast NLTF revenue at each government economic and fiscal update using the latest data from Waka Kotahi, the Treasury and NZ Customs. We have recently completed the forecast of NLTF revenue as part of the Treasury's Half-Yearly Economic and Fiscal Update (HYEFU 2022) process.
- 2 Revenue forecasts are intended to provide you with an opportunity to:
 - 2.1 identify and respond to immediate revenue pressures
 - 2.2 understand the revenue available under current policy settings to meet expenditure priorities, and help guide the development of the Government Policy Statement on land transport (GPS) funding ranges
 - 2.3 help inform long-term revenue implications.
- 3 We compare the latest revenue forecasts with corresponding GPS 2021 forecasts that were used to set the expected expenditure for the NLTP 2021.
- 4 When there are significant differences in revenue forecasts, this may require:
 - 4.1 Waka Kotahi to reconsider how it gives effect to the GPS (for example, reprioritisation of activities or money between activity classes)
 - 4.2 you and your Cabinet colleagues to consider the transport revenue settings (for example, change of direction in the GPS or the level of petrol excise duty (PED) and road user charges (RUC)).
- 5 These economic and fiscal update forecasts estimate future revenue to the NLTF, not the overall financial position of Waka Kotahi NZ Transport Agency [refer OC220358]. They do not take into account the investment demands required to meet increasing expectations or things like cost escalations, so they do not give the full picture of any potential investment gap. Further advice on expenditure is provided through the GPS 2024 development.

Compared to BEFU 2022, our updated forecasts predict a significant reduction in transport revenue

- 6 Our forecasts make the following key assumptions:
 - 6.1 There are no forecast increases to PED and RUC rates. This is consistent with the GPS 2021, which states there will be no increases in the next three years.
 - 6.2 There are no further significant travel restrictions due to COVID-19. This is in line with Treasury's assumptions and macroeconomic forecasts for this update.

- 6.3 The impact of Government's transport decarbonisation policies and any reduction in Vehicle Kilometres Travelled are excluded. We need to undertake further work before we can reliably include the impact of these policies in our revenue forecasts.
- 6.4 PED and RUC rates return to pre-discount levels after 31 January 2023.
- 6.5 The \$1.3bn Crown top-up to the NLTF to offset the revenue impact of the discounted PED and RUC policy is excluded from the forecast, given the funding approved by Cabinet is not an ongoing revenue source for the NLTF.
- 7 Table 1 sets out a summary of the forecast revenue flow to the NLTF over the coming financial year. The drop in revenue is driven by the extension of the PED and RUC discounts provided as part of the Government's cost of living package.

Table 1: Comparison of forecast NLTF revenue streams for the 2022/23 financial year

	BEFU 2022	HYEFU 2022	Difference	
	(\$ million)	(\$ million)	(\$ million)	(percent)
Road user charges	1,857.4	1,593.3	-264.2	-14.2
Fuel excise duty	1,890.7	1,551.2	-339.6	-18.0
Motor vehicle registration and licensing fees	234.2	236.0	1.8	0.8
Track user charges	16.3	16.4	0.1	0.6
Total	3,998.6	3,396.8	-601.9	-15.1

- 8 Over the three-year period of the 2021-24 National Land Transport Programme (NLTP 2021) our updated forecasts predict a net income of \$11.5 billion, a decrease of \$719 million, (six percent) compared to the Budget Economic and Fiscal Update (BEFU 2022) (Table 2).

Table 2: Forecast and actual (*) NLTF revenue for the NLTP 2021

Financial Year	BEFU 22	HYEFU 22	Difference	
	(\$ million)	(\$ million)	(\$ million)	(percent)
2021/22	3,833.4	3,808.9*	-24.5	-0.6
2022/23	3,998.6	3,396.8	-601.9	-15.1
2023/24	4,414.2	4,321.6	-92.6	-2.1
Total	12,246.3	11,527.3	-719.0	-5.9

- 9 Table 3 shows the forecast revenue for NLTP 2021 compared to the activity class ranges that are set out in the GPS 2021/22–2030/31. When compared to last year's HYEFU, this fiscal update presents a worsened financial position for NLTP 2021. The low scenario now has a \$1.5 billion notional funding gap, compared to a \$42 million flexibility we forecast last year [refer OC210933]. Likewise, the HYEFU 2022 medium and high scenarios have a funding gap against the lower funding range of \$1.4 and \$1.2 billion respectively, compared to a \$300 and \$550 million flexibility forecast in those scenarios last year.

- 10 The Crown has made \$1.3 billion available to offset forgone NLTF revenue from the cost-of-living support package and this is not included in our forecast². If it is drawn down in full there will likely be sufficient funds to meet the lower expenditure range for NLTP 2021 (Table 3). In general, our forecasts tend to underestimate revenue, especially since COVID-19 as people have been avoiding public transport and preferring private modes. We present a high to low traffic volume range in our forecasts to accommodate this variability. We expect actual revenue for financial year 22/23 to be between the medium and high-volume forecasts in Table 3.

Table 3: Impact of low, medium, and high volume NLTF estimates on meeting GPS 2021 lower expenditure ranges throughout the NLTP 2021

	GPS 2021 Lower Expenditure Range (\$ million)	NLTF Low Scenario (\$ million)		NLTF Medium Scenario (HYEFU 2021) (\$ million)		NLTF High Scenario (\$ million)	
2021/22 ³	4,245.0	3,808.9	(-436.1)	3,808.9	(-436.1)	3,808.9	(-436.1)
2022/23	4,315.0	3,341.7	(-973.3)	3,396.8	(-918.2)	3,453.1	(-861.9)
2023/24	4,320.0	4,224.6	(-95.4)	4,321.6	(1.6)	4,421.1	(101.1)
Gap/ flexibility		(-1,504.8)		(-1,352.7)		(-1,197.0)	

Note: yearly gap/flexibility is denoted in brackets against each scenario as either +/-.

- 11 Across the full 10-year period covered by GPS 2021, we forecast a net reduction in revenue of \$1.4 billion, or 3.2 percent compared to BEFU 2022. Noting that this also doesn't include the Crown appropriation. Despite this, forecast NLTF revenue without the Crown appropriation for the PED and RUC discounts exceeds the aggregate lower activity class range by at least \$0.5 billion (medium revenue scenario) but is less by \$400 million in the low volume scenario.

We will continue to monitor NLTF revenue, and our next fiscal update forecast will be completed in May 2023

- 12 Our next fiscal update forecast for the NLTF will be produced in mid-2023 as part of the BEFU 2023 process. This will advise if there is any significant deviation between actual revenue received and our previous NLTF revenue forecasts.
- 13 We will also continue to monitor the NLTF revenue levels and the drawdown of the \$1.3 billion appropriated for the cost-of-living policy. On the 25th of October, at slightly past the halfway stage of the policy, the drawdown was sitting at \$727 million (refer OC220795).
- 14 We can also report that a programme of work is underway to refresh the model we use to forecast revenue. This will address several issues in the model that cause variability between forecast and actual revenue received. The review will also set in motion the steps we need to take to include light electric and plug-in hybrid vehicles into the RUC system [OC220511 and OC220707 refers].

² The Crown appropriation isn't included in the forecast because of the Treasury's HYEFU requirements (refer Treasury Circular 2022/09).

³ Note for financial year 2021/22 revenue figures are actual, not forecasted. For this reason there is no variance across scenarios for 2021/22.