

Chair
Cabinet Economic Growth and Infrastructure Committee

ROAD USER CHARGES: OVERVIEW AND INTRODUCTION TO LEGISLATION PROPOSALS

Proposal

1. This paper introduces proposed changes to the road user charges (RUC) legislation as a result of the Independent Review of the New Zealand Road User Charging System (the Review) and seeks authority to prepare new RUC legislation.
2. This is the first of five related Cabinet papers setting out proposals for new RUC legislation to replace the Road User Charges Act 1977 and the Road User Charges Regulations 1978.

Executive summary

3. The previous government established the Review to consider the merits of the RUC system.
4. The Review reported to me on 31 March 2009. The Review favoured the retention of distance and weight-based RUC over other alternative methods. It recommended improvements in two broad areas, the cost allocation model and administrative improvements to simplify and modernise the RUC system. The Review emphasised support for technology-based solutions. The Review was concerned about evasion and the integrity of the system.
5. Subsequently Cabinet accepted my recommendations that the RUC system be retained, simplified and modernised, rather than replaced with a diesel tax. Cabinet also agreed that some of the recommendations of the Review should be declined. Of the recommendations which were accepted, some would be implemented administratively. Others would require implementing legislation.
6. The proposals, which Cabinet agreed to, represent the most significant reforms since the RUC system was introduced in 1978. The proposed changes will modernise and simplify the system for both government and industry. One of the methods of evading the payment of the correct amount of RUC will be removed.
7. An improved regulatory framework will enable the adoption of modern technology in a considered fashion and will set appropriate rules for the participants of the RUC system.
8. The details of the implementing legislation for modernising and simplifying the RUC system are contained in a suite of papers. The other four papers are:
 - 8.1. "Road user charges: Change to the definition of licence weight"
 - 8.2. "Road user charges: Reform of the time licence system and modernisation of the list of exempted vehicles"

- 8.3. "Road user charges: A regulatory framework for electronic management systems"
- 8.4. "Road user charges: Improvement of compliance".
9. The five Cabinet papers cumulatively seek approval of policy for the preparation of new RUC legislation. This paper also contains the financial proposal for all the proposals.

Background

10. In August 2008 the previous Minister of Transport established an independent committee to review the RUC system. This was in response to concerns raised by the road transport industry about the increase in RUC rates on 1 July 2008. The increase was implemented without notice and had not been expected by the industry. This caused the industry to focus on overall concerns with the system.
11. The Review considered the way in which the Ministry of Transport's cost allocation model apportions costs between road users and whether the RUC system should be replaced by alternative collection methods.
12. The Review presented its report to me on 31 March 2009. The Review favoured the retention of distance and weight-based RUC over other alternative methods. It recommended improvements in two broad areas; the cost allocation model and administrative improvements to simplify and modernise the RUC system. The Review emphasised support for technology-based solutions.
13. I subsequently released the Review's report to stakeholders for comment. I received a wide range of views on the report and on the RUC system generally.
14. After considering all these views I submitted a proposed response to the recommendations of the Review to Cabinet.
15. Cabinet accepted recommendations that the RUC system be retained, simplified and modernised rather than replaced with a diesel tax.
16. Introduction of a diesel tax would require establishment of a process for refunding tax paid on diesel used off-road: in agriculture, fishery and various other industries (currently estimated at 36 percent of diesel consumed). Thus, although compliance costs would be reduced for road users no longer having to pay RUC, new costs would be imposed outside the transport sector. This would be inequitable as the benefits of transport fall to transport users.
17. Cabinet also agreed that some of the recommendations of the Review should be declined. Of the recommendations which were accepted some would be implemented administratively. Other recommendations would require implementing legislation [EGI Min (09) 16/8 refers]. Appendix One is a table with all the Review's recommendations together with my comments to Cabinet in 2009 and an update on progress.

Progress to date

18. Some of the recommendations of the review have already been implemented. These are:
 - 18.1. the passage of amending legislation to mandate a minimum period of six weeks notice of RUC rate increases
 - 18.2. the making of regulations to allow for the use of electronic distance recorders and electronic display of RUC licences
 - 18.3. implementation of some of the recommendations concerning the cost allocation model
 - 18.4. commissioning of a review into the cost allocation model and receipt in June 2010 of a draft report.
19. The review of the cost allocation model will be taken into account when the rates are next re-set.
20. Other administrative matters include work on modernising the payment channels. This work cannot be completed until Cabinet considers this suite of papers, which covers legislation, and the resulting modernising proposals are in place.

A modern fairer and simplified RUC system

21. The RUC system was established in 1978 as a means of collecting taxes, from the users of diesel vehicles, for roading purposes. Vehicles subject to RUC must carry licences that specify the actual weight the vehicle is carrying and the distance the licence is valid for.
22. I am concerned about evasion of RUC which officials estimate to be a conservative \$30 million. This means that honest payers are subsidising those who seek to evade payment. It also means that government loses revenue. I propose a system that will remove some opportunities for evasion, encourage timely payment and make it fairer for participants.
23. The age of the system means it is not performing effectively. There have been some minor upgrades but this paper introduces measures to begin the process of bringing the system into the 21st century. These are the most significant reforms since the system was introduced.
24. The changes proposed in this suite of papers will modernise and simplify the system. The proposal for changing the definition of licence weight will greatly simplify administration for both industry and government agencies. Because the proposal means that each vehicle will now have a set weight it will close the door on the weight-based method of evading the payment of the correct amounts. Any unlawful overloading of vehicles will be addressed under the Vehicle Dimensions and Mass Rule 2002 and the Land Transport Act 1998.
25. Time licences are a small part of the RUC system with an incoherent rationale. The removal of time licences will streamline the system and reduce compliance costs for business and government administration costs. The simplifying of exemptions will result

in a more accessible system, again reducing business compliance costs and government administration costs.

26. When these changes are in law, the way will be open for the New Zealand Transport Agency to make changes to the RUC payment channels and to take greater advantage of modern technology in administering the RUC system¹.
27. That is not the only role for new technology. The Review recommended greater use of technology in measuring distances travelled by vehicles and delivering electronic RUC licences. An improved regulatory framework will enable the adoption of modern technology in a considered fashion and will set appropriate rules for the system.
28. Industry has told me that it is concerned about the costs of compliance. The amendments to the legislation and the implementation work that will follow will give the New Zealand economy a RUC system that is much more cost effective and efficient.
29. Industry is also concerned about the level of RUC evasion, as is the Ministry of Transport and the New Zealand Transport Agency. The suite of papers includes proposals to reduce opportunities for evasion and strengthen the ability of government to recover outstanding RUC.

The proposals for legislation

30. The table in Appendix One, identifies those recommendations relevant to the proposed legislation changes.
31. The proposals will be submitted in four papers:
 - 31.1. "Road user charges: Change to the definition of licence weight"
 - 31.2. "Road user charges: Reform of the time licence system and modernisation of the list of exempted vehicles"
 - 31.3. "Road user charges: A regulatory framework for electronic management systems"
 - 31.4. "Road user charges: Improvement of compliance".

Change to the definition of licence weight

32. RUC are based on distance travelled and weight carried. The operator has to estimate the actual gross weight to be carried by a vehicle during the journey. Operators comment that it is difficult to predict the weight to be carried in advance and that scales are not usually available at loading sites. The New Zealand Transport Agency advises me that it is difficult to recover outstanding RUC by making an after-the-event assessment of weight.
33. The Review recommended that the RUC system should move to a regime where the charge is set on the basis of the maximum permissible gross laden weight of a vehicle having regard to axle configuration.

¹ The New Zealand Transport Agency operates under delegations from the Chief Executive Ministry of Transport.

34. Cabinet agreed in principle with the findings of the Review. The proposal needed analysis to establish whether it should proceed. The Cabinet paper “Road user charges: Change to the definition of licence weight” contains this analysis and the results of consultation with the industry.

Time licences

35. The Cabinet paper “Road user charges: Reform of the time licence system and modernisation of the list of exempted vehicles” proposes significant improvements to an incoherent and confusing part of the RUC system, with time licences no longer being required for vehicle types where the revenue collected is not sufficient to warrant the transaction costs. At the same time the list of exemptions from payment of RUC will be reviewed and made simpler.

Electronic management systems

36. Recent amendments to the Road User Charges Regulations 1978 have enabled the Secretary for Transport to approve electronic distance recorders. However, these amendments are not comprehensive enough to provide a durable electronic RUC system regime. In particular, there is limited ability under the legislation to regulate electronic system providers.
37. The Cabinet paper “Road user charges: A regulatory framework for electronic management systems” will contain proposals for a regulatory framework for electronic RUC management systems and their third party providers. Operators will continue to have the choice of using an electronic system or continuing with paper RUC licences and hubodometers.

Compliance with RUC legislation

38. The Cabinet paper “Road user charges: Improvement of compliance” will propose that the Chief Executive of the Ministry of Transport be given powers (based on those held by the Commissioner of Inland Revenue) to make binding assessments of outstanding amounts owed for RUC. Operators would have a duty to keep records as under general tax legislation. The paper also updates offences and penalties under RUC legislation.

Implementation

39. The proposals in the papers will require implementation. There will be one-off information technology system and other implementation costs

Consultation

40. The following government departments and agencies have been consulted on this paper: the Treasury; the New Zealand Transport Agency; the New Zealand Police; Ministry of Economic Development; Ministry of Justice; and Department of Labour. The Department of the Prime Minister and Cabinet has been informed of this paper. Overall stakeholders support the proposals to modernise and simplify the RUC system and more detailed comment can be found in the relevant papers.

Financial implications

41. The proposals in these Cabinet papers have financial implications for government. In the medium term, there will be savings to the Crown from reduced enforcement activity and lower ongoing administrative costs.
42. In the short term, the New Zealand Transport Agency will incur costs to implement the proposed changes to the RUC system. Some of these costs can be absorbed, but the New Zealand Transport Agency has identified a total of \$1.485 million that cannot be met within the existing appropriation for Road User Charges Collection, Investigation and Enforcement. The largest cost (\$839,000) is for changes to the New Zealand Transport Agency's LANDATA computer system to implement the new "RUC weight" definition. The remainder of costs are for communications related to the new system, project management and transitional operating costs. These costs will cover implementation of all changes resulting from the new RUC legislation.
43. My officials have reviewed the case put forward by the New Zealand Transport Agency and are satisfied that the costs are reasonable. No adjustment is sought to the New Zealand Transport Agency's baseline funding.
44. I propose that the cost of implementation be met from the administration fees that are set for the management of the motor vehicle registry and RUC collection. Since 1 August 2008 an excess of fees revenue over costs amounting to more than \$5 million per annum has been credited to the National Land Transport Fund as appropriation "New and Improved Infrastructure for State Highways – Crown Contribution".
45. A fiscally neutral change in appropriations is proposed to make some of the excess fees revenue available to meet the cost of implementing the new RUC legislation. This will result in revenue that is collected from administration fees being applied to a purpose more closely aligned to the purpose for which they are collected. I note that as the Ministry of Transport funds the New Zealand Transport Agency on an 'as required' basis, the New Zealand Transport Agency will only receive the funding that it actually needs.
46. The proposed adjustment to appropriations is indicated below:

Vote Transport Minister of Transport	Increase/(decrease) \$m				
	2009/10	2010/11	2011/12	2012/13	2013/14 & out years
Departmental Output Expense: Road User Charges Collection, Investigation and Enforcement.	-	974	511	-	-
Capital Expense: New and Improved Infrastructure for State Highways - Crown Contribution.	-	(974)	(511)	-	-
Total	-	-	-	-	-

Human rights implications

47. There are no Human Rights Act 1993 implications arising from the proposals in this paper.

Legislative implications

48. The Road User Charges Act 1977 needs general modernising in addition to implementing any new policy. The Road User Charges Act 1977 and the Road User Charges Regulations 1978 are not large and the legislative proposals outlined in this paper mean that it is preferable that the RUC legislation be rewritten.
49. I therefore propose that work commence on this general modernisation of the RUC legislation.
50. [withheld]

Publicity

51. I intend to issue a media statement announcing a package of reforms that will simplify and modernise the RUC system.

Recommendations

52. I recommend that the Committee:
- 1) **note** that this is the first of five related Cabinet papers setting out proposals for new road user charges legislation to replace the Road User Charges Act 1977 and the Road User Charges Regulations 1978;
 - 2) **note** the proposals in the papers are designed to reduce evasion, promote the integrity of the system, encourage timely payment, simplify the road user charges system and modernise delivery;
 - 3) **note** that the other four papers which recommend legislative change will cover:
 - a) "Road user charges: Change to the definition of licence weight"
 - b) "Road user charges: Reform of the time licence system and modernisation of the list of exempted vehicles"
 - c) "Road user charges: A regulatory framework for electronic management of road user charges"
 - d) "Road user charges: Improvement of compliance";
 - 4) **agree** that road user charges legislation should be generally modernised and that the Road User Charges Act 1977 and the Road User Charges Regulations 1978 should be replaced;
 - 5) [withheld];

- 6) **invite** the Minister of Transport to issue drafting instructions to Parliamentary Counsel for the Road User Charges Bill to generally modernise and replace the Road User Charges Act 1977 and the Road User Charges Regulations 1978;
- 7) **authorise** the Minister of Transport to make decisions about policy details in the Road User Charges Bill;
- 8) **note** that the New Zealand Transport Agency will incur additional one-off operating costs totalling \$1.485 million to implement the proposed modernisation and simplification of the road user charges system;
- 9) **agree** to the fiscally neutral changes in appropriations shown below, in order to fund the costs noted in recommendation 8;

Vote Transport Minister of Transport	Increase/(decrease) \$m				
	2009/10	2010/11	2011/12	2012/13	2013/14 & out years
Departmental Output Expense: Road User Charges Collection, Investigation and Enforcement.	-	974	511	-	-
Capital Expense: New and Improved Infrastructure for State Highways - Crown Contribution.	-	(974)	(511)	-	-
Total	-	-	-	-	-

- 10) **agree** that the 2010/11 changes to appropriations be incorporated into the 2010/11 Supplementary Estimates and that until these are enacted, the expense be approved under Imprest Supply.

Hon Steven Joyce
Minister of Transport

Dated: _____

Appendix One: Recommendations of the Review and current status.

	Recommendation of Review.	2009 proposed response	My comment in 2009 Cabinet paper	2010 status of recommendations.
1	<i>The Government investigates alternative funding for non-road related costs in light of our conclusion that costs recovered through the road user charging system should, in general, be confined to the costs associated with road use only.</i>	Decline	Most non-road spending in the National Land Transport Programme (NLTP) relates to public transport subsidies. These subsidies represent the benefits that public transport generates for road users in the form of reduced congestion.	
2	<i>Local authority revenue be applied within the CAM [cost allocation model] to offset those costs to which it directly relates, rather than the existing practice of deducting the revenue from the total non-use related costs.</i>	Decline	A technical change that redistributes a large proportion of costs from heavy to light vehicles. Controversial in principle and not supported by most stakeholders.	
3	<i>The allocation of space-related costs in the CAM is based on an appropriate standard motor car equivalent factor rather than using the current, largely weight-based proxy.</i>	Accept	The existing model unrealistically assumes a perfectly linear relationship between weight and road space required. The review's preferred option mirrors practices in Australia.	This recommendation was implemented prior to the setting of RUC rates in 2009.
4	<i>The NZTA undertakes an empirical study into the actual pavement conditions throughout the New Zealand road network and evaluates the impact of axle reference loads on road wear, the consequential cost of maintenance, and the resultant changes to the CAM.</i>	Accept	This would aim to fill gaps in engineering knowledge that relate to assumptions used in setting charges for heavy vehicles.	This recommendation is partially addressed through the report commissioned under recommendation 9.
5	<i>No change be made to the current assumption in the CAM regarding distribution of weight across axles (taking into account future charging on the basis of the maximum (permissible) gross laden weight of a vehicle and having regard to axle configuration).</i>	Accept	The impact of any change would be marginal.	No change so no action required.

Note: the text in bold in this table identifies legislation proposals for inclusion in a RUC Bill 2010.

	Recommendation of Review.	2009 proposed response	My comment in 2009 Cabinet paper	2010 status of recommendations.
6	<i>The fourth power rule continues to be used in calculating the road wear component of RUC (as we did not find sufficiently robust evidence to justify changes in the road damage law exponent or to select a different single exponent for road user charging).</i>	Accept (but more work is to be done)	Two separate engineering reports found no basis for an alternative to the fourth power rule. One report, however, suggested that the fourth power rule should be de-emphasised (see Recommendation 9).	The need for further work on the fourth power rule will be re-assessed when the action under recommendation 9 is completed.
7	<i>The average loading assumption inherent in the CAM and RUC rates be amended to use a factor of 45 percent for trailers (as that is what recent empirical evidence indicates is appropriate).</i>	Accept	Has effect of shifting costs from trailers to powered vehicles (for which the load assumption is 55 percent).	This recommendation is partially addressed through the report commissioned under recommendation 9.
8	<i>No explicit allowance be made for air suspension and wide tyres in the CAM calculations (as such additions would add complexity, bring no material benefit, and would lead to yet further compliance and enforcement costs).</i>	Accept	Similar to the conclusions reached in previous reviews.	No change so no action required.
9	<i>The allocation of costs between use related parameters in the CAM be re-examined by the Ministry of Transport to ensure that the equivalent standard axle (ESA) measure appropriately reflects the uncertainties involved in attributing the effects of road wear to heavy vehicles.</i>	Accept	A technical report to the review suggested that the amount of costs allocated to the wear parameter in the CAM appeared large in international terms. This requires confirmation by detailed analysis of allocation in New Zealand road conditions.	The detailed analysis mentioned in my 2009 comments has been commissioned and a draft report is being considered (June 2010). The content of this report is linked to recommendations 4 and 7.
10	<i>The Government considers an alternative to pay-as-you-go (PAYGO) which recognises the creation of a road asset and amortises the asset over the expected useful life (as annual roading expenditure patterns are escalating and becoming more 'lumpy' over time).</i>	Decline	This would further complicate the cost allocation model, raises difficult transitional issues, and is unlikely to be practicable. The government will investigate loan financing and public private partnerships as a way of increasing infrastructure investment over time.	

Note: the text in bold in this table identifies legislation proposals for inclusion in a RUC Bill 2010.

	Recommendation of Review.	2009 proposed response	My comment in 2009 Cabinet paper	2010 status of recommendations.
11	<i>In future, the charges set for cost recovery purposes are consistent with the rates calculated by CAM (because, assuming CAM reflects the relationship between use and expenditure, it should, on equity grounds, dictate what is charged).</i>	Decline	The CAM is only a tool to aid government decision-making, and takes into account a relatively narrow range of considerations.	
12	<i>The outdated annual motor vehicle licence fee, the basis for which is unknown, be replaced with a new annual road network access fee.</i>	Decline	A large annual fee would create significant inequities between road users who cover widely varying annual distances. The proposal has little support from stakeholders.	
13	<i>The new network access fee be set in a more transparent way to recover a defined set of costs in the CAM.</i>	Decline	No particular set of costs can be linked directly to number of vehicles registered.	
14	<i>The new network access fee should aim to recover the non-use related elements of road related expenditure.</i>	Decline	“Non-use related” costs in the CAM are not equivalent to “fixed costs”. Road users will benefit from expenditure in direct proportion to kilometres travelled. Further analysis will need to be undertaken of this category of expenditure to ensure that it is correctly allocated, and with a view to simplifying the CAM.	
15	<i>The current allowance for transport operators to nominate operating weight is replaced with charging on the basis of the maximum (permissible) gross laden weight of a vehicle, having regard to axle configuration.</i>	Accept in principle	May simplify enforcement, remove the opportunity for some evasion and remove most of the need for supplementary licences. However, there are significant implementation issues that will need to be worked through to establish if the proposal should proceed.	Requires legislation. Details are proposed in the accompanying paper “Road user charges: Change to the definition of licence weights.”

Note: the text in bold in this table identifies legislation proposals for inclusion in a RUC Bill 2010.

	Recommendation of Review.	2009 proposed response	My comment in 2009 Cabinet paper	2010 status of recommendations.
16	<i>Supplementary licences be removed from the RUC regime.</i>	Accept	A corollary of Recommendation 15. Some form of additional payment will need to be retained for special circumstances.	Requires legislation. Details are proposed in the accompanying paper "Road user charges: Change to the definition of licence weights."
17	<i>The time licence system for revenue collection be discontinued and vehicles currently subject to the time licence regime, in future, be required to pay a flat rate network access fee similar to all other road vehicles.</i>	Accept in part	Simplifies system. Any access charge can be incorporated into the annual licence fee. Existing legislation also requires the review to identify which vehicles should be exempt from RUC as current distinctions and definitions are convoluted and unclear.	Requires legislation. Details are proposed in the accompanying paper "Road user charges: Reform of the time licence system and modernisation of the list of exempted vehicles"
18	<i>Should a diesel excise duty be implemented, a refund system operates in conjunction with the GST return.</i>	Not applicable	A diesel tax is not proposed.	
19	<i>The NZTA gives priority to investigating and implementing a modern, internet-based RUC purchase channel.</i>	Accept	Will be progressed as part of administrative focus on improving the RUC business operation.	When the decisions from this group of papers are available the NZTA will have relevant information to enable it to make improvements to its payment channels including the current internet channel.
20	<i>The NZTA discontinues all the other current RUC purchase channels, except for an over the counter option, once the new internet purchase channel is available.</i>	Decline	Unduly limits the NZTA's operational flexibility.	
21	<i>The NZTA devotes further resources to improving RUC customer service delivery.</i>	Accept	This will be addressed in the context of an overall business improvement strategy.	The NZTA is currently conducting a business-wide channel review strategy which incorporates this recommendation.
22	<i>The RUC rates are reviewed annually and changes implemented at the same time each year.</i>	Accept	An annual review is appropriate. This does not necessarily imply that there will be annual increases.	The RUC rates were reviewed in 2009 and reviews are being undertaken for 2010. A consistent implementation date has yet to be determined.

Note: the text in bold in this table identifies legislation proposals for inclusion in a RUC Bill 2010.

	Recommendation of Review.	2009 proposed response	My comment in 2009 Cabinet paper	2010 status of recommendations.
23	<i>A minimum of six weeks' notice be provided of any RUC rate changes that are to occur.</i>	Accept	Addressed in current proposal for short-term changes to the Road User Charges Act 1977.	The Road User Charges Amendment Bill 2009 implemented this change prior to the 2009 increases in RUC rates.
24	<p><i>The Government legislates to:</i></p> <p><i>a) provide for more stringent regulations around odometer tampering;</i></p> <p><i>b) impose a duty on vehicle inspectors to report odometer readings to the NZTA as part of the vehicle warrant of fitness and certificate of fitness inspection processes to provide the NZTA with information that will assist with recovery of outstanding RUC;</i></p> <p><i>c) impose a duty on relevant road users to keep books and records and give the Government access and assessment powers similar to those available under the income tax system;</i></p> <p><i>d) institute proper safeguards and appeal rights and to carefully prescribe the powers and duties of government officials;</i></p> <p><i>e) decriminalise enforcement of RUC for vehicles [with a gross laden weight] under 3.5 tonnes as part of a process of moving light vehicle RUC to a civil collection system.</i></p>	Accept	A Road User Charges Amendment Bill is in the 2009 Legislative Programme, for referral to Select Committee in 2009. This Bill would include all changes to legislation arising from the review apart from Recommendation 23.	Requires legislation. Details are proposed in the accompanying paper "Road user charges: Improving compliance"

Note: the text in bold in this table identifies legislation proposals for inclusion in a RUC Bill 2010.

	Recommendation of Review.	2009 proposed response	My comment in 2009 Cabinet paper	2010 status of recommendations.
25	<i>The NZTA develops and implements, in association with selected user groups and others as appropriate, a “proof of concept” trial to test the feasibility of the systems architecture outlined in this report and generate data that is essential to inform decision-making in New Zealand about whether and how to proceed with an eRUC system.</i>	Accept	The cost of such a trial is estimated at \$1–2 million, plus internal Ministry of Transport and NZTA resources. A timeframe and resourcing plan for the trial will be developed as part of the programme of work to improve the RUC business. Initial provision for electronic distance measurement devices will be made by amendment to regulations. More substantive amendments to the RUC Act will follow if the trial is successful.	The proof of concept trial was not implemented because it became clear that suitable technology can be developed. The Road User Charges Amendment Regulations 2009 enabled electronic distance recorders to be approved. The accompanying paper “Road user charges: A regulatory framework for electronic management systems” proposes a legislative framework for regulating these electronic RUC management systems and their providers.
26	<i>In light of all the previous recommendations, the Government implements a revenue collection approach generally in accordance with one or other of the following two options: Option A – Enhanced RUC system for all vehicles: Substantial enhancement of the current revenue collection approach. Option B – Diesel excise duty plus RUC system for heavy vehicles: Major changes to the revenue collection approach including eliminating RUC for vehicles with a gross laden weight of less than eight tonnes and introducing excise duty on diesel.</i>	See below	Introduction of a diesel tax and related refund system would impose compliance costs on diesel users outside the transport sector.	

Note: the text in bold in this table identifies legislation proposals for inclusion in a RUC Bill 2010.

	Recommendation of Review.	2009 proposed response	My comment in 2009 Cabinet paper	2010 status of recommendations.
27	<p><i>Preference is given to Option A, an enhancement of the current system which retains weight and distance-based RUC for all vehicles, because Option A:</i></p> <p><i>a) enables, subject to our transitional recommendations below, most of the critical enhancements to be implemented almost immediately, or within a relatively short timeframe</i></p> <p><i>b) maintains the many positive aspects of the current system which is well understood and has served New Zealand well for the last 30 years</i></p> <p><i>c) avoids the need to establish a new diesel excise duty system which would (due to technology developments) probably only be maintained for a limited period of time</i></p> <p><i>d) avoids the imposition of the diesel excise refund regime on a large number of non-road diesel users; and the corresponding imposition on the government in establishing and operating the new refund system.</i></p>	Accept	<p>The current RUC system requires updating to overcome shortcomings identified by the review.</p> <p>In the medium-to-long term, an enhanced RUC system will provide a revenue stream that is immune to changes in vehicle and fuel technology and capable of giving more accurate price signals to road users than fuel excise duties.</p>	
28	<p><i>No attempt be made, at this stage, to modify CAM or the RUC system to better recognise the operating practices of defined industries (on the grounds that the anomalies identified could only be properly addressed by full road pricing which appropriately acknowledges time, weight, distance and location factors).</i></p>	Accept	<p>Current information and technology does not allow for discrimination between users on the basis of operating practices.</p>	
29	<p><i>Changes to the CAM are fully implemented on the next occasion CAM is applied so that the most appropriate allocation of costs related to road use is available to inform the setting of new RUC rates and FED.</i></p>	Decline	<p>Agreed changes to the CAM can be made at any time. The CAM is, however, only a guide, which the government takes into account along with other factors relevant to setting charges.</p>	
30	<p><i>Introduction of the new network access fee is phased in over two years so that in the first year the new fee does not exceed \$85 in total (GST exclusive).</i></p>	Decline	<p>See comments on Recommendations 12 to 14 above.</p>	

Note: the text in bold in this table identifies legislation proposals for inclusion in a RUC Bill 2010.

	Recommendation of Review.	2009 proposed response	My comment in 2009 Cabinet paper	2010 status of recommendations.
31	<i>Introduction of changes to RUC rates arising from the updated CAM are also phased in over time so that no RUC rate increases by more than 20 percent in any one financial year.</i>	Accept, with lower maximum increase	Current proposals cap RUC increases in 2009 at 10 percent.	No decision has been made on 2010 rates. Any future increases are likely to follow my 2009 recommendation to cap at 10%.
32	<i>Introduction of the first phase of RUC rate and access fee changes proceeds as soon as possible during the 2009/10 financial year subject to completion of any necessary legislative changes, our other transitional recommendations, and the giving of public notice as we have also recommended.</i>	Accept, apart from access fee	Increases to RUC are planned in October 2009 (previous Cabinet decision).	Implemented in 2009.
33	<i>The change process is supported by an appropriate communication strategy to ensure that stakeholders are well informed about the short-term changes, the longer-term direction and the reasons for the overall approach being taken.</i>	Accept	A package of information is being developed to accompany my announcements of responses to the review.	Implemented in 2009 and will be implemented for the changes proposed in these papers.

Note: the text in bold in this table identifies legislation proposals for inclusion in a RUC Bill 2010.