



- However, as noted repeatedly, the challenge will be getting the government's back-office systems to a state where they can unlock this possibility.

Section 3.9 Removing the requirement for light vehicle owners to display a RUC licence

Question 44. What are the advantages and disadvantages of removing the requirement to display a physical RUC label?

- The outward-facing paper licence is a waste of time and money, and removing it is a pure saving. There are no disadvantages in eliminating the requirement.

Question 45. What problems for noncompliance and enforcement might this cause?

- No new problems would be created. In the absence of general improvements in public education and knowledge, which can be achieved independent of the existence or not of a label, ignorance and forgetfulness will persist as the main drivers of non-compliance among non-commercial light vehicle owners.
- As it stands, the main enforcement problem is that no-one is actually doing any meaningful enforcement of light vehicle RUC. The government needs to determine what kind of enforcement model it wants to have and is prepared to resource.
- Serious thought could be given to a differentiated regime, with greater regulatory attention (records requirements, monitoring, and enforcement) being given to light vehicles in commercial operations.

Question 46. How can Waka Kotahi assist drivers in ensuring they remain compliant with RUC if the label-display requirement is removed?

- See the response to question 22.
- A compliance app that lets non-commercial operators deal directly with Waka Kotahi to submit odometer readings, purchase RUC, and pay registration fees would also provide a channel for sending reminders. The approach would not reach everybody, but it would very likely have high appeal to a very large segment of the population that are currently being ignored.

Question 47. What are the advantages and disadvantages of retaining the option to request a physical licence?

- The existence of multiple compliance channels increases the opportunities for people to be compliant.
- Low volume options are inefficient; however, Waka Kotahi's counter agents already bundle these kinds of transactions with other similar ones in order to achieve scale

3.10 Allowing for the purchase of RUC licences in amounts less than 1,000 km

Question 48. What advantages and disadvantages are there in allowing RUC licences to be purchased in units of less than 1,000 km?

- Intuitively this proposal should provide greater flexibility and support people to stay compliant through more frequent purchasing that better fits their budget. However, noting the parallel work to revise administration fees, it seems likely that any cashflow benefit of making smaller



purchases will be wiped out by the proposed significant growth in the administration cost of a transaction.

3.11 Removing the requirement to display other transport paper labels

Question 49. What are the advantages and disadvantages of removing the requirement to display physical vehicle licence ('rego') labels?

- See the response to question 44.
- All enforcement can be undertaken via a database query using a vehicle's registration plate number. That council roadside enforcement staff may not – yet – have technology to access this information is not a relevant barrier.

Question 50. How can Waka Kotahi assist drivers in ensuring they remain compliant with their vehicle licensing obligations if the label-display requirement is removed?

- See the responses to questions 22 and 46.

Question 51. What are the advantages and disadvantages of retaining the option to request a physical vehicle licence label?

- See the response to question 47.

Section 3.12 Allowing the use of historic RUC rates when carrying out an assessment

Question 52. What are the advantages and disadvantages of letting Waka Kotahi use historical RUC rates when carrying out an assessment?

- This is a matter of natural justice as the question is, 'what should they have paid at that time?' The role of the assessment is to determine the facts. These then inform a second question, 'what, if anything, should now be paid?' This then engages the issues explored in questions 62 to 64 of the discussion document

Section 3.13 Transitioning CNG- and LPG-powered vehicles into the RUC system

Question 53. What are the advantages and disadvantages of removing FED from sales of LPG and CNG and having all road vehicles using these fuels move to paying RUC?

- The advantages of the proposal are its simplicity and the improved efficiency and equity it provides.

Question 54. If LPG and CNG powered vehicles are included in the RUC system what reasons would justify their operators paying a different rate than other light vehicles?

- There are no good reasons for a rate that differs to that applied to any other light vehicle of similar dimensions and mass.

Question 55. If a partial rate is possible for dual fuel LPG or CNG vehicles, what principles should be considered in setting the rate?

- See the responses to questions 28-30.



Section 3.14 Assisting new RUC payers to commence paying RUC

Question 56. Are there any new issues that might need to be considered, including those that might justify changes to RUC legislation, to address an influx of new RUC system users when the light EV exemption ends?

- See the responses to questions 22 and 46.
- The expected influx of new users presents a marketing and communications problem for government, not a technical one.
- Since 2000, New Zealand has been adding almost 30,000 new light vehicles to the RUC scheme annually – slightly less than the current total number of light EVs in use in New Zealand. If there is genuine concern over a possible bow-wave of administrative work, then the re-entry date could be staggered according to each vehicle's registration date.

Question 57. How should the RUC system help new users purchase RUC from the exemption end date and from the correct initial odometer reading, after the exemption ends?

- See the responses to questions 22, 45 and 46.
- New users should be required to supply a photograph of their odometer reading and a declaration that it is true and correct. While some people will still attempt to cheat, the overall level of revenue risk is low, with the possible exception being light vehicles used in commercial operations.

Section 3.15 RUC offences and penalties

Question 58. Should the maximum infringements set out in section 89(q) of the RUC Act be amended? If so, how?

- No comment.

Question 59. Are the existing infringements set at appropriate levels for the offence?

- This is a question of relativities best directed to the Ministry of Justice.

Question 60. Should the offender type ratios differ between individuals and body corporates? If so, how?

- No comment.

Question 61. Would you also change the fee/fine ratio? If so, how?

- No comment.

Question 62. On what basis should the penalty for non-payment of RUC be calculated?

- Genuine attempts at evasion should be able to attract higher penalties to the person or entity actually responsible for the decision to try and evade RUC.
- Under-payment due to genuine error, coercion, or force majeure should be without penalty, subject to timely restoration of compliance.



Question 63. What should be the maximum penalty for non-payment of RUC?

- No comment.

Question 64. Should the non-payment penalty regime recognise the time the RUC payment has been outstanding? If so, how?

- No comment.

Section 3.16 Any other feedback on possible changes to the RUC system?

Question 65. What other improvements do you think are needed in the RUC system?

- No comment.

Section 4.1 Clarifying what 'partly' means in the definition of an electrically powered vehicle

Question 66. What criteria should be used to define, or replace, the word 'partly' in the definition of electric vehicles and why?

- A prescriptive approach is likely to result in complex law without materially improving its enforceability.
- Waka Kotahi should be empowered to exercise judgement where the electric motor is clearly not intended to be or serve as a primary motive source under normal operating conditions. Section 42D of the RUC Act provides a possible model to follow, where it gives the RUC Collector the right to form a view and act on that view, setting out the objective that the 'view' is assessing conformance with, and subjecting the view to a standard of reasonableness.

Section 4.2 Redefining RUC vehicle types for eight axle combinations

Question 67. What are the advantages and disadvantages of our proposed approach to classifying vehicles with eight axle combinations?

- No comment.

Section 4.3 Changing the Warrant and Certificate of Fitness requirements so the assessor must report evidence of odometer tampering

Question 68. What are the advantages and disadvantages of requiring inspection of the odometer on RUC vehicles at the time of Warrant or Certificate of Fitness inspection?

- No comment.

Question 69. What form would this inspection take and what would the costs of the inspection be?

- No comment.



Question 70. What should happen if a Warrant or Certificate of Fitness inspector thought an odometer had been tampered with?

- Suspected deliberate interference should be reported to Waka Kotahi by any agent of Waka Kotahi's, regardless of the capacity they were acting in when observing the suspected tampering.

Section 4.4 Clarifying the definition of accurate for a distance recorder in a light vehicle

Question 71. Is it necessary to define 'accurate' in the RUC legislation, or can we rely on existing case law and practices?

- Is this a question of revenue protection or consumer protection?
- How would accuracy be assessed in practice? Even with eRUC systems where normal distance measurement accuracy is to within 0.5% relative to the reading from a calibrated distance measurement instrument, and continuously monitored, this is a complex science. It seems highly unlikely that there is a practical way of assuring any light vehicle's odometer actually operates within any set tolerance on any given day.
- Light vehicle odometers are more likely to over-state distances travelled over time. Things like tire wear, for example, can cause significant variances in accuracy – normally to the disadvantage of the car owner. While some vehicles may understate these distances, sometimes, on balance the RUC Collector is probably getting marginally more revenue than it 'should'.

Question 72. How could 'accurate' be defined in RUC legislation for the distance recorder fitted to a light RUC vehicle?

- Text

Question 73. What should happen if a vehicle owner finds that their distance recorder is not accurate and does not correct it?

- In this scenario the vehicle owner is already committed at least one offence under the RUC Act, e.g. one or more of: section 8(5)(a) operating a vehicle that is not fitted with a properly working distance recorder; section 8(5)(d) operating a vehicle where the distance recorder is not accurately recording the distance travelled; section 9(4) operating a RUC vehicle without a valid RUC licence; and, section 13(1)(a) knowing the distance recorder is not working properly.
- If the RUC Collector suspects that a vehicle is undercounting distances travelled then it is technically possible to run the vehicle over a known distance to determine the ratio and calculate the distance not yet paid for.

Section 4.5 Clarifying the requirements that certain persons must make and retain certain records

Question 74. What are the advantages and disadvantages of requiring vehicle operators to retain weight-based records?

- Placing the onus on operators exposes them to the consequences of risks caused and held by other parties.



- A chain of responsibility approach should be taken to the matter of records:
 - a. Who are the participants in the system?
 - b. What do they control that can impact on their compliance or the quality of any other parties' compliance?
 - c. Therefore, what part of their operation needs to be monitored and what records should they be required to make, keep and, as appropriate, share (and with whom)?

Question 75. How long should any weight-based records be retained for?

- Records should be retained for the longest period of time required by any government entity that might reasonably be expected to make use of those records for its investigative and enforcement purposes.
- Record retention requirements should be harmonised across land transport legislation.

Question 76. What could Waka Kotahi do to make this requirement more feasible for companies that create weight-based records?

- See the response to question 74.
- Operators should have as-of-right access in real time to weight records created by consigners, loaders and any other relevant parties further up the supply chain relating to loads placed on that operator's vehicle(s).

Section 4.6 Clarifying the provisions relating to access to records held by third parties

Question 77. What are the advantages and disadvantages of allowing Waka Kotahi to access third party records to ensure operator compliance with the RUC Act?

- Triangulation should better ensure accurate assessments. However, if there is no chain of responsibility framework to ensure consequences are properly apportioned according to the degree of control and fault exercised in any given situation, more information just creates more targeted injustice.

Question 78. What evidence threshold or circumstances would be appropriate for Waka Kotahi to trigger the power to access third-party records?

- The RUC Act currently sets a general standard for accessing records directly from third parties like ESPs. That is that the subject has not been forthcoming in supplying the records themselves, and/or concern that the subject might destroy records if they are made aware of an investigation. A further control derived from how the various powers are worded is that they cannot be used merely for screening purposes – there must be some basis to suspect an investigation will find non-compliance.
- These are good controls. Attempting to specify a threshold seems unworkable, or certainly less likely to be efficient.
- Noting that investigative resources are constrained, if some greater transparency around the allocation of these resources is sought, perhaps because of concerns over a risk of the vexatious use of powers or harassment – then Waka Kotahi could be required to make and publish a



regulatory investigations policy that defines the intervention and escalation standards they intend to apply.

Section 4.7 Creating a requirement for RUC Electronic System Providers (ESPs) to notify Waka Kotahi of the status of RUC payments

Question 79. What are the advantages and disadvantages with RUC legislation requiring ESPs to notify Waka Kotahi of changes to the status of RUC payments?

- This is firstly a privacy issue. In the absence of actually being in debt, or having a history of going into debt, the mere *possibility* of a private financial choice resulting in an operator accruing a RUC debt at some later point is a weak basis for intruding on the privacy of an operator's financial management arrangements.
- So long as eRUC is an opt-in regime, measures of this nature will work to discourage uptake. A variety of other technologies are emerging that may enable operators to opt-out of a complete eRUC solution and digitise their key pain points, if the marginal return from doing so is worth it.
- As such, mandatory eRUC needs to be a precondition to increased reporting by ESPs; however, as noted earlier in this submission, the conditions are not yet ripe for mandatory eRUC to be practical or fair.
- Currently, ESPs are not funded by Waka Kotahi for the activities they undertake on its behalf.
 - a. Any new duties will bring set-up and operational costs. In this case, as these additional activities are principally for the benefit of Waka Kotahi and relate to its publicly funded enforcement activities, it would be appropriate for it to compensate ESPs.
 - b. Again, as noted above, so long as eRUC is optional, an arrangement of this nature would create a conflict of interest and a structural disadvantage for ESPs relative to suppliers of less comprehensive (and less intrusive) electronic RUC aids.

Section 4.8 Clarifying the requirements around the display of heavy vehicle eRUC licences

Question 80. What are the advantages and disadvantages of removing the requirement for an electronic distance recorder (ehubo) to also display the RUC licence?

- There are no advantages if the display is still required to provide other regulatory information for enforcement purposes.
- Given that the current odometer reading can be accessed the same way as the current distance licence(s), the requirement to display the odometer reading should also be removed.
- In this case, the advantage is that the cost of eRUC units will come down, while their durability will improve, as will the ability to mount them safely on trailers and/or more securely within cabs. Drivers will benefit from a less cluttered cab and fewer duplicate displays.
- Enforcement is already moving more and more to remote verification of documents and records, so the removal of display requirements will not impede developments on that side.



Question 81. What requirements should the RUC legislation have around the display of distance on an electronic distance recorder (ehubo¹)?

- See the response to question 80. The requirement should be removed so long as there is an approved methodology for retrieving the distance reading as at a given time.

Question 82. What are the advantages and disadvantages of completely removing the requirement for carrying or displaying a RUC licence for heavy vehicles?

- See the responses to questions 44-47 and 49.

Section 4.9 Exempting vehicles that are only travelling on a road for Certificate of Fitness purposes from paying RUC

Question 83. What are the advantages and disadvantages of exempting off road vehicles from paying RUC if they are only travelling on a public road for the purposes of undertaking a safety inspection or maintenance?

- All road users should pay their fair share.
- In general, averaging and using licencing fees creates cross subsidies and inequities. However, if the sums involved are small enough, then this simpler/low transaction cost methodology may be most fair and efficient.

Section 4.10 Extending an operator's time to request an independent review of a RUC assessment

Question 84. What are the advantages and disadvantages of giving Waka Kotahi discretionary power to extend the time for independent reviews?

- No comment.

Question 85. In what instances should an extension be granted, and in what instances shouldn't an extension be granted?

- No comment.

Section 4.11 Changes to how mobile cranes are defined for RUC

Question 86. What are the advantages and disadvantages of removing mobile cranes from the list of vehicle types that are exempted from RUC on the basis that all vehicles can now fit eRUC devices?

- All road users should pay their fair share.
- In general, averaging and using licencing fees creates cross-subsidies and inequities. However, if the sums involved are small enough, then this simpler/low transaction cost methodology may be most fair and efficient.

¹ Please note that 'Ehubo' is the brand name of a specific product that predates the 2012 legislation, and its use as a generic term for electronic hubodometers should be avoided in legislation or regulations.



Question 87. What are the advantages and disadvantages of amending the definition of 'All Terrain Crane' used in the RUC regulations to allow for the use of single large or single mega tyred axles rather than tyre contact area?

- No comment.

Question 88. What other issues might there be with the way RUC rates are calculated for mobile cranes?

- No comment.

Section 4.12 Any other feedback

Question 89. What other technical amendments should be made to the RUC Act, its regulations, or the rules and manuals that make up the RUC system?

- No comment.

EROAD CONTACT

Peter Carr

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s 9(2)(a)

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OFFICIAL INFORMATION ACT 1982

Driving Change: Reviewing the Road User Charges System

Federated Farmers of New Zealand

22 April 2022



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SUBMISSION ON THE *DRIVING CHANGE: REVIEWING THE ROAD USER CHARGES SYSTEM* CONSULTATION DOCUMENT

TO: Te Manatū Waka Ministry of Transport

DATE: 22 April 2022

ADDRESS FOR SERVICE

Name	Position	Phone Number	Email Address	Postal Address
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ABOUT FEDERATED FARMERS

Federated Farmers of New Zealand is a membership organisation, which is mandated by its members to advocate on their behalf and ensure representation of their views. Federated Farmers does not collect a compulsory levy under the Commodities Levy Act and is funded from voluntary membership.

Federated Farmers represents rural and farming businesses throughout New Zealand. We have a long and proud history of representing the needs and interests of New Zealand's farmers.

Federated Farmers aims to empower farmers. Our key strategic priorities as an organisation are that we:

- Be the respected voice of farming.
- Foster an inspired leadership network.
- Support vibrant rural communities.

SUBMISSION ON THE *DRIVING CHANGE: REVIEWING THE ROAD USER CHARGES SYSTEM* CONSULTATION DOCUMENT

1. SUMMARY OF RECOMMENDATIONS

- 1.1 Road User Charges ought to remain focussed on cost recovery for damage to roads from vehicle use, with externalities related to transport addressed through alternative approaches rather than broadening the purposes of the Road User Charge system.
- 1.2 Road User Charge exemptions ought not be extended or applied to a broader range of clean vehicles, combinations, or trailers to avoid risking revenue into the National Land Transport Fund and transport projects reliant on sustainable funding, including the Road to Zero Strategy.
- 1.3 It is appropriate that primarily off-road vehicles should be exempt from Road User Charges for those few instances where they have to travel along a public road for Certificate of Fitness purposes.

2. GENERAL COMMENTS

- 2.1 Federated Farmers of New Zealand welcomes the opportunity to submit to the Ministry of Transport on the *Driving Change: Reviewing the Road User Charges System* consultation document.
- 2.2 We have extensive experience advocating the interests of farming and other rural businesses, as well as those of rural communities on matters related to transport infrastructure and how it is funded. We have previously submitted on road funding consultations, such as the Government Policy Statement on Land Transport in 2017, 2018 and 2021, and continue to do so in local council annual and long-term planning processes across the country. We have also submitted on clean vehicle scheme proposals in recent years.
- 2.3 Further, we submitted on the *Transport Emissions: Pathways to Net Zero 2050* consultation in 2021 to express our concerns with what appeared to be an overly simplistic consideration of behaviour change incentives to reduce transport emissions. Our submission on that consultation raised a number of practical considerations against pursuing behaviour change measures in advance of alternatives to or modes of transport being available to road users. This is especially important when considering the application of such incentives on road users in rural areas where public transport and non-vehicular travel modes are either not available or are of limited relevance. Meaningful electric and hydrogen fuel cell vehicles may become available one day and be fit for use in rural situations at that time. The technology needs to deliver the service, reliability, effectiveness, and availability farmers need for them to make the transition to clean vehicles.
- 2.4 Transport is an important sector of the economy in its own right: Ministry of Transport has previously stated in its 2016 summary report '*Contribution of Transport to Economic Development*' that transport infrastructure provision and transport operations together account for about 5% of New Zealand GDP. This understates the indirect importance of transport infrastructure and transport operations for other industries' economic activity, including agriculture, which simply cannot operate without the ability to move goods and people on and off farm, not to mention the economic and social importance of transport as a lifeline for rural communities. The

physical movement of people and goods is especially important in rural areas where the population is more thinly dispersed and frequently requires that greater distances need to be travelled than would be common among more densely populated urban areas.

- 2.5 Sustainable investment in the roading network is of particular interest for our members at this time given the concerning state of many local roads and bridges and uncertainty around improvements to regional highways. Many local roads have been allowed to deteriorate and local bridges to exceed their designed lifetime with inadequate resourcing from both central and local government. Local roads are lifelines for many rural communities allowing access to support the economic, social, and cultural wellbeings of those that live, work, and play outside of urban areas. However, an efficient and safe rural roading network enables all people regardless of their place of residence to access the country's beautiful natural areas including beaches, rivers, lakes, forest parks and conservation estates, and events such as wine and food and music festivals. That the Government has had to increase its discretionary investment in the National Land Transport Fund in recent years to account for the impacts of COVID-19 and to, more recently, cover off the shortfall in revenue under fuel price measures suggests a rethink is needed on proposals that further risk the sustainability of land transport funding.

3. USING THE RUC ACT TO DO MORE THAN RECOVER ROAD COSTS

- 3.1 Road user charges (RUC) work well as an effective mechanism for recovering the costs of wear and tear on the roading network from vehicle use. Operating on the basis of weight and distance aligns closely to the impact of vehicle use on roads and bridges. RUC, in essence, has a simple task that it performs very well.
- 3.2 That the Government has priorities beyond road maintenance and the recovery of costs for wear and tear brought about by vehicle use on the roading network is well understood by stakeholders. There have been many reminders in recent years of the urgent priority the government has for reducing greenhouse gas emissions. Successive *New Zealand Greenhouse Gas Inventory* reports have over the years charted the progressive increase of transport sector emissions to ~80% above 1990 levels. Consultations in 2021 on the draft emissions reduction plan, prior work by the Ministry on the *Transport Emissions: Pathways to Net Zero by 2050* consultation, and the clean vehicle scheme demonstrate the Government's commitment to implementing measures to reduce transport emissions.
- 3.3 What is also well understood are the myriad challenges of reducing transport emissions. Improving road design is difficult and costly given most roads already exist within built environments. Implementing vehicle performance standards is difficult in a country that relies on the importation of vehicles designed for a more global marketplace. Cleaner vehicle technologies continue to be in their early development stages, despite many models only recently becoming commercially available in the New Zealand market. Supporting infrastructure has a long way to go to cater for cleaner vehicle technologies, whether constructing more charging stations for electric vehicles or a production and distribution network for hydrogen fuel cells. Biofuels are limited in the extent to which they can be integrated into liquid fossil transport fuels without adversely impacting vehicle performance. Public transport and non-vehicle travel options have little to no relevance beyond densely populated urban areas. Supply issues continue to plague the manufacturing and distribution of clean vehicles around the world and will likely do so for some time. There are no obvious or easy solutions to overcoming any of these challenges.

- 3.4 We understand why the Government might want to look to an effective mechanism like RUC to see if that could play a role in assisting the government to achieve its climate change goals.
- 3.5 We similarly understand that for the Government to attempt to fundamentally change RUC from that of a cost recovery model for damage to roads to a catalyst for behaviour change towards lower emissions travel ultimately risks the effectiveness of RUC as a key revenue stream for the National Land Transport Fund. RUC is responsible for ~45% of the revenue that goes into the National Land Transport Fund, and the fund represents a key funding mechanism for everything from public transport and road safety, to supporting highway and road maintenance and improvement. It is difficult for us to see how the *Road to Zero* target of reducing deaths and serious injuries by 40% by 2030 could be achieved with less funding available to invest on road transport initiatives.
- 3.6 Existing RUC exemptions for electric vehicles already threaten the National Land Transport Fund. The Cabinet paper '*Proposed Amendments to the Road User Charges Legislation to Increase the Uptake of Low Emission Vehicles*', reveals that foregone cumulative RUC revenue forecast to be in the area of \$225-700m should RUC exemptions be extended out to 2035 and apply to electric vehicles, hydrogen fuel cell vehicles and trailers pulled by those vehicles. While in the short-term the loss of revenue is not especially significant against the National Land Transport Fund's annual \$4bn budget, it gains significance when considered as part of a broader range of impacts on the National Land Transport Fund and even more so the longer the exemptions are in place.
- 3.7 There have been recent media reports of a \$350m shortfall in National Land Transport Fund revenue arising from COVID-related public health measures and their impacts on both fuel consumption (affecting Fuel Excise Duty (FED) revenue) and ability to travel (affecting RUC revenue). While this may prove less of an issue over time, it is a factor that does risk whether many projects under the National Land Transport Programme are able to proceed.
- 3.8 Another example is the similar scale shortfall in National Land Transport Fund revenue from recent fuel price measures as part of a broader package of cost-of-living measures. The shortfall, in this instance, will be covered by the COVID Relief Fund for the three months each measure is in place (being the 25% FED discount and 36% RUC discount). This gesture has the appearance of being a one-off, raising questions around the extent to which the COVID Relief Fund or other government funds could be relied upon to support such measures beyond their initial three months.
- 3.9 Last year's announcement around the National Land Transport Plan brought a welcome increase in funding allocated to public transport and local road maintenance and improvement. The ~\$2bn increase in funding meant that many projects could proceed that previously would have struggled as local council revenues were impacted by COVID to the point where central government had to step in and wholly fund many of these projects. That this increase in funding was provided by way of a loan to the National Land Transport Fund suggests that there is an expectation that this money needs to be paid back at some stage, likely through revenue coming into the National Land Transport Fund.
- 3.10 It seems odd to us that the Government would consider changing RUC in ways that make it even more vulnerable as a key revenue stream for the National Land Transport Fund.

- 3.11 Arguments can be made for accounting for transport system externalities such as greenhouse gas emissions, air, and noise pollution from congestion through more appropriate mechanisms.
- 3.12 The clean vehicle scheme represents a standalone mechanism for incentivising the uptake of lower emissions vehicles through a closed loop feebate system where fees derived from the importation of less clean vehicles funds rebates on the importation on cleaner vehicles. While we oppose the introduction of the fees component of the scheme when there are no clean vehicles fit for use on farm at this time, the scheme does represent a more targeted approach than proposals in this consultation to broaden the purposes of the RUC system to reduce transport emissions.
- 3.13 Similarly, ACC exists to address impacts on human health from accidents and seems to do a good job of it, by and large. There may be issues around attempting to account for human health risks arising from activities rather than occupations, but it remains a more targeted option for accounting for human health impacts of road use.
- 3.14 Likewise, air quality and noise pollution would more directly be addressed through road design and local or regional planning measures that have the greatest potential to both mitigate the effects of congestion and reduce the frequency and duration of congestion on our roads. Congestion is a product of factors generally beyond the control of a vehicle user. Road maintenance seems to take longer of late than was previously the case and prior underinvestment in road maintenance means more of it is needed now than ever. Vehicle users tend not to have many alternative routes they can use to reach their destination with road design, particularly when travelling outside densely populated areas. Another consideration here is the difficulty in accounting for diffuse environmental effects to the use of individual vehicles on the road.
- 3.15 Ultimately, there is an element of unfairness in seeking to impose behaviour change imperatives uniformly across road users without addressing the inappropriateness of recovering for congestion and health effects on road users in rural areas where such considerations are non-issues (congestion especially).
- 3.16 We caution the Ministry against over-complicating what works well as a relatively straightforward system currently. With the proposed change to RUC, technical non-compliance is likely to increase, at least initially, before settling down to a higher level of non-compliance than is currently the case. We note that the consultation also has an objective of making enforcement easier and reducing the compliance burden on both road users and regulators (whether NZTA or the Police). We would question whether both objectives are possible with what the Ministry proposes in this consultation.

4. IMPROVING THE RUC SYSTEM FOR ROAD USERS

- 4.1 We have on previous consultations raised concerns around the introduction of RUC exemptions for electric vehicles as this negatively impacts the sustainable funding of land transport. We see this will only get worse as electric vehicle uptake increases on the back of the clean vehicle scheme. As previously mentioned, Ministry forecasts of foregone RUC revenue increase markedly depending on the timeframe over which exemptions are granted and the types of vehicles granted exemptions over those periods. In essence, proposals that both extend and broaden the RUC exemption to encourage increased uptake of clean vehicles make the situation substantially worse for road funding.

- 4.2 Clean vehicles make use of the road system and have similar impacts on wear and tear on our roads as internal combustion engine (ICE) vehicles, on a per vehicle basis, and so they should be accountable for those impacts in much the same way as ICE vehicles.
- 4.3 Consumer interest in electric vehicles mainly appears to be hampered by manufacturing and supply chain logistics constraints, making proposals to further enhance incentives for clean vehicle uptake through further and broader RUC exemptions to be essentially meaningless. RUC exemptions will not resolve supply issues related to the rare earth elements and microchips needed for the manufacture of clean vehicles, nor will RUC exemptions overcome supply chain issues causing delays to the importation of clean vehicles into the New Zealand market.
- 4.4 We appreciate the consultation document also seeks to address the matter of how to introduce exempted vehicles to the RUC system on the understanding that any RUC exemptions for exempted vehicles would only ever be temporary. That there is acceptance that any exemption to RUC ought to be temporary does argue against the existence of RUC exemptions for clean vehicles on the basis of an overarching expectation that clean vehicles ought to pay their way for using the roading network. Well designed and maintained roads are a core component of the *Road to Zero: New Zealand's Road Safety Strategy 2020-2030* to reduce the occurrence of accidents and the likelihood of death or serious injury on our roads. Even so, people will continue to make mistakes and death or serious injury will occur regardless of whether a vehicle is powered by fossil fuels or cleaner energy sources. Contributing towards the maintenance and improvement of the roading network ought to be considered the responsibility of all road users.
- 4.5 Our preference is that the government continues to incentivise clean vehicle uptake through capital expenditure discounts under the clean vehicle scheme. Our issues with the scheme are not with the discounts applied to the importation of cleaner vehicles, but with the imposition of additional costs to the importation of less clean vehicles while cleaner fit for purpose alternatives remain unavailable for use on farms and in rural areas.
- 4.6 The issue of clean vehicles being fit for purpose on farm is one we take seriously. Much mention has been made of electric vehicle uses that are starting to become available in this country. Our assessment of these vehicles is that they seem designed for use on flat easy terrain, over short distances and carrying light loads or with little to no towing loads. This is problematic for farmers given the distances involved in travelling rurally. Of particular concern is the extent to which performance of these new electric vehicle uses decreases on uneven or steeper terrain and with heavier loads that need to be carried on farm and along rural roads. Our own discussions with rural dealerships suggest it could be some time before a clean vehicle does become available that is fit for purpose for use in rural situations. We are also concerned that the costs of purchasing such a vehicle may be prohibitively expensive even with a clean vehicle rebate.

5. TECHNICAL AMENDMENTS TO THE RUC ACT

- 5.1 We appreciate the Ministry using this consultation as an opportunity to consider what other improvements could be made to the RUC system.

- 5.2 We have limited opinion to offer on many of the technical amendments proposed for lack of relevance to our farmer members. That said, there are a few matters on which we do have feedback.
- 5.3 The requirement to display a paper RUC licence on a light vehicle may be useful for the vehicle driver to remain aware of the expiry date of the RUC. Relying solely on an online system that is already in place and accessible by Police does have some merit, however, keep in mind that connectivity in rural areas continues to be very patchy and unreliable. We undertake a survey of farmers every year and can provide maps showing the extent to which there is poor mobile coverage in many rural areas. Poor mobile coverage on farm strongly correlates to poor mobile coverage on nearby roads. We are aware of recent announcements by the Minister of Communications specifically targeting issues around capacity in rural mobile networks, and both the Rural Broadband Initiative and Mobile Black Spot fund have yet to complete their current rollouts so the situation may improve in some areas. There will likely always be gaps in mobile coverage unless the government commits to continue investing in rural connectivity. The Climate Change Commission recommended that the government continue to invest in rural connectivity in their final report to the Minister of Climate Change last year. It would help for the Ministry of Transport to make similar recommendations in its own report to the Minister of Transport.
- 5.4 We support the proposed exemption from RUC for vehicles that are only travelling on a road for Certificate of Fitness purposes. Agricultural vehicles are primarily used off-road/on-farm, with occasional use on roads for limited distances between farms whilst travelling at low speeds. As such, wear and tear on the roading network from agricultural vehicle road use is minimal. We consider it wholly appropriate that there be an exemption from paying RUC for those instances where an agricultural vehicle must be taken on to a road to satisfy regulatory requirements.

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Submission

Te Huringa Taraiwa: Te arotake i te pūnaha utu kaiwhakamahi rori | Driving Change: Reviewing the Road User Charges System

April 2022

Introduction

Fonterra welcomes the opportunity to comment on the discussion document Te Huringa Taraiwa: Te arotake i te pūnaha utu kaiwhakamahi rori | Driving Change: Reviewing the Road User Charges System.

Fonterra is a dairy cooperative owned by around 9,000 New Zealand farming families with 27 manufacturing sites spread across the country, making us New Zealand's largest exporter and responsible for around 30 percent of the world's dairy exports. Having an efficient, reliable and cost-effective transport network supports the competitiveness and sustainability of our operations and of New Zealand's dairy sector more generally.

We have a fleet of approximately 500 milk tankers and our drivers travel throughout regional New Zealand collecting milk from our shareholders' farms every day. We rely on the road network to access these farms and transport milk to manufacturing sites. Other parts of our business also rely on New Zealand roads, including our domestic distribution network and supply chains for export, as well as regional staff utilising our light vehicle fleet.

This makes us a significant user of the Road User Charges (RUC) system. Fonterra pays more than fifty million dollars in direct charges each year and our third-party transport partners pay around five million dollars through their work with us.

The RUC system has operated with a relatively easy to understand principle whereby users pay rates proportionate to the costs generated by their vehicles. This system contributes to the maintenance of New Zealand's extensive road network and while we believe there is scope to improve the RUC system to make it more efficient, we urge caution in considering more fundamental changes.

In particular, we note:

- Maintenance of New Zealand roads should continue to be the focus of the RUC system;
- It is appropriate for a component of land transport costs to be linked to emissions, but we believe this should continue to be done via the Emissions Trading Scheme (ETS), rather than adding complexity to the RUC system;
- Any additional measures that introduce a cost for emissions should be value neutral, avoiding an increase to the overall land transport tax burden with new revenue continuing to be deployed for the maintenance of the road network;
- Incentives are the best way to accelerate decarbonisation efforts and we agree with extending exemptions from RUC for low emission heavy vehicles out to 2030;
- Existing administration of RUC is unnecessarily complex and inefficient, and we agree with measures to simplify the system;

- Wider adoption of eRUC systems should be encouraged but mandates are not appropriate in the current market environment;
- Consideration should be given to reducing charges for trucks while carrying empty loads.

More detail on these points is outlined below. We welcome engagement on our submission and are open to providing further information should that be of assistance.

Our transport activities

Fonterra is a major user of the transport network. We have several distinct fleets operating on New Zealand roads, including our milk tankers, trucks distributing goods for export, vehicles shifting product for domestic sale and light vehicles to enable our staff to travel throughout the country.

Our milk tankers travel around 95 million kilometres every year collecting over 17 billion litres of milk from farms and deliver it to 27 manufacturing sites around New Zealand. At our busiest time of year, our tanker drivers collect milk from a farm every nine seconds, and milk is delivered to a manufacturing site every 24 seconds.

We then rely on the wider New Zealand freight transport network to distribute our products to customers within New Zealand and across the globe. We also have a fleet of around one thousand light vehicles helping our people move around, particularly those in farmer-facing roles.

Fonterra is committed to creating a more efficient supply chain to achieve our climate goal of net-zero emissions by 2050 with 30 per cent absolute reductions off-farm on our FY18 emission levels by 2030.

We continue to invest and develop ways to reduce the carbon footprint of our fleet. We are doing this through driver training, a focus on fuel efficiency, optimising tanker routing, moving to High Productivity Motor Vehicles (HPMV) and moving to Euro 6 emission standard vehicles.

We are in the process of trialling New Zealand's first electric milk tanker and we are exploring biofuel, hydrogen, and hybrid technology solutions for our milk collection fleet. We also have a policy that our light vehicle fleet should be electric on replacement. This means that around a third of our light vehicle fleet will be electric in the next three years.

We also want to acknowledge the role that both rail and coastal shipping have in reducing emissions across New Zealand's transport sector. We are New Zealand's largest user of the rail network and we welcome opportunities to fully utilise the transport network to drive efficiencies and emissions reduction.

While rail produces less emissions than road transport, on-road logistics is, and will remain, a necessity because not all origins, destinations, and routes can be serviced by rail, particularly our shareholders' farms, the vast majority of which are only accessible via rural roads.

Because road is a highly competitive market it provides a mechanism for discovery of a 'reference price' from which KiwiRail can price. Rail will play an important role in both an efficient and lower emissions land transport solution; but this must be priced to compete effectively with road.

Coastal shipping, which produces even fewer emissions than rail, will also play an important role in the future transport system and Fonterra continues to seek opportunities to work collaboratively with others to drive efficiencies in our supply chains.

Our feedback on proposals

Using the RUC Act to do more than recover road costs

The current RUC system has a relatively easy to understand principle whereby road users are charged RUC for their use of the roads proportionate to the costs generated by their vehicles. This allows the Government to charge out the costs associated with upgrading and maintaining the road network according to the impact road users have.

Fonterra agrees that there may be ways to improve the current system, particularly through simplification, but this should not undermine the existing principles and lead to unintended consequences. Using RUC to recover more than the direct costs of building and maintaining the road transport system has the potential to add complexity and put further pressure on an already stressed road network.

Including externalities in the costs considered in setting RUC rates

Fonterra believes the purpose of RUC should continue to be focused on maintaining roads. We believe there are existing and better mechanisms, such as the ETS, to manage externalities and including them in RUC could duplicate costs and add complexity.

If proposals to capture externalities proceed, we would recommend consideration is given to the fuel efficiency of vehicles. Fonterra's milk collection tankers produce the least noise pollution of any trucks currently available. Our tankers are also either Euro 5 standard vehicles or where possible Euro 6 standard vehicles, with significantly improved fuel efficiency. Our tankers comply with European road friendly standards.

There are currently no incentives for investing in these more fuel-efficient engines. In fact, because fuel efficient engines are often heavier, like in higher Euro grade vehicles, the RUC system penalises those who invest in them.

Providing incentives for utilising more fuel-efficient vehicles would be a sensible measure to consider if externalities are captured and we recommend benchmarking against Euro standards or utilising published vehicle specifications from manufacturers with confirmation at COF time.

While moderate changes like this might help the road transport fleet become more efficient, there are disadvantages to making fundamental changes; in particular, shifting any existing revenue generated by RUC to addressing externalities.

Our tanker drivers regularly report on deteriorating road surfaces where they are required to slow down to maintain control of their vehicle. This includes surfaces that are breaking down as well as slippery surfaces where the tar has leached to the road surface, causing a lack of traction in wet conditions. Both types of deterioration could contribute to increased vehicle accidents.

Any reduction in funding could exacerbate the current limitations of New Zealand roads. Poor road maintenance also leads to situations where the most efficient routes cannot be used by commercial road users. For example:

- The Mangaotama Stream bridge on State Highway 39 has not been adequately maintained. Weight restrictions have been introduced which means that loaded trucks cannot use it. This means that all road freight travelling from the Lower North Island to Auckland now need to take a detour through Hamilton. This adds an additional 45 minutes to the journey, increasing costs, emissions, and congestion, particularly in Hamilton. Trucks can no longer complete a Taranaki-Auckland daily round trip.
- Some rural regions, such as Southland, are missing out on the efficiencies of fewer vehicles because commercial road users are unable to obtain High Productivity Motor Vehicle (HPMV) permits. The regional councils are hesitant to allow HPMVs because they do not receive the funding for the road maintenance that will be required.

Like many other commercial road users, Fonterra is continuously seeking ways to increase efficiency. This is often achieved through utilising larger trucks to transport more freight and thereby reducing overall truck numbers and distances travelled. Reducing the number of trucks on the roads reduces emissions and congestion. The increased efficiency also reduces supply chain costs.

We believe it is important that suitable funding remains available to maintain the road network.

Including impacts on greenhouse gas emissions when setting RUC rates

Fonterra is taking steps to decarbonise our own fleet, with a trial of New Zealand's first electric milk tanker and exploration of other technologies that will help us to be more efficient and reduce emissions. While we welcome measures to further encourage the decarbonisation of the transport fleet, we do not believe the RUC system is the appropriate mechanism to achieve the Government's objective.

A tax or levy on fuel is the more appropriate way to account for vehicle emissions. Emissions are not directly linked to road use, they are linked to fossil fuel consumption. Utilising RUC to charge for emissions may not capture the full cost of emissions, for example:

- Emissions caused by a truck left idling would not be captured in a RUC system as the vehicle is not travelling.

- Light city-based trucks travel fewer kms than long haul trucks, however often these city-based trucks use more diesel due to time spent at traffic lights and in congestion.
- Emissions caused by off-road diesel vehicles would not be captured as RUC would not apply.

The ETS already addresses greenhouse gas (GHG) emissions in transport fuels. If new charges are introduced to account for emissions, we believe these should be value neutral so that the overall land transport tax burden does not change and that any new revenue continues to be utilised for maintaining the land transport system.

The Government also has a suite of other policies aimed at reducing emissions in the transport sector. This includes the Low Emissions Transport Fund (LETf) supporting early adopters of new technologies and we acknowledge the Government's contribution towards the trial of our electric tanker and installation of EV chargers at several of our South Island sites.

We believe the LETf should be extended to enable wider adoption and accelerated integration of new technologies into local commercial fleets. We also believe the Government should continue to focus on developing the infrastructure to give road users confidence to adopt these low emissions technologies.

There are currently several barriers to the widespread adoption of low emission vehicles in the heavy freight sector, principally the lack of commercial availability of vehicles at scale, infrastructure gaps, cost of ownership, and early adoption risk.

To encourage widespread adoption as quickly as possible, we recommend the Government focus on targeting these barriers to entry. We also encourage the Government to continue exploring other policy options to encourage the wider energy transition to a low emissions economy. For instance, many overseas jurisdictions adopt incentives such as tax credits and accelerated depreciation to enable the transition to low emission technologies.

While factoring in GHG emissions to RUC could shift behaviour in the short to medium term, it could reduce available funding for core transport infrastructure, leaving the system with significant long-term funding pressures and exacerbate the deterioration of the roading network, potentially increasing emissions. We agree with the consultation document that exemptions to RUC need to be temporary to avoid putting further pressure on long-term funding of the land transport system.

Finally, we note that there are significant complexities in charging for emissions on dual or multi-fuel vehicles and while there is likely to be technology in the market to enable this, it will likely fall on end users to report and this creates a risk that some will game the system.

Including fuel type, origin, and blend in RUC rates

We agree that work to identify fuel source and the impact on the environment, for example from deforestation from intensive sugarcane cropping, is important. However, this work will be difficult and attempting to integrate this information into the RUC system will create further complexity. We believe it would make more sense for any such work to be funded via fuel taxes which is more targeted towards the purpose of the change.

Improving the RUC system for end users

Fonterra believes there are aspects of the system that are working well and some areas where complexity could be reduced.

eRUC

Fonterra is interested in eRUC systems and we continue to investigate opportunities to integrate their use. We agree with moves to encourage adoption, however we do not believe eRUC systems should be mandated at this time.

There are too few eRUC providers in the market right now to shift to a mandatory system. Forcing all road users to adopt eRUC systems would lead to additional costs and potentially create a monopoly as all current agents offering the service use the same supplier. If eRUC systems were to be mandated, we believe there should be a sufficient phase-in period to manage the adoption.

To manage privacy concerns with the greater use of eRUC, we recommend transport operator details be removed from data and controls be put in place so that only data required for road safety purposes can be accessed for enforcement.

Fonterra currently uses telematics and we provide data upon request to New Zealand's Police. Fonterra takes road safety very seriously and welcome moves to improve safety compliance. We would ask that administrative complexity is factored in when considering additional measures.

There would be advantages to authorities having greater access to eRUC data for enforcement through decreasing compliance costs, although we note eRUC and vehicle data is not currently linked to drivers and vehicle mileage and there would be complexity in linking these together.

We agree with proposals to enable road users utilising eRUC to "pay as you go". If, for example, at 12am each day RUC was charged through eRUC for that day's travel, the Government would continue to receive revenue in a timely manner and commercial road users would benefit as working capital is freed up. This would also incentivise road users to adopt eRUC systems.

Extension of exemption for electric heavy vehicles

Fonterra agrees with an extension for heavy electric vehicles to 31 March 2030 to encourage the uptake of heavy EVs. Fonterra is proud to be trialling New Zealand's first electric milk tanker and will look for opportunities to roll out more EVs across our heavy vehicle fleet where feasible.

We agree with extending the exemption to include hydrogen fuelled vehicles.

The exemption will enable total Return on Investment to be planned out to 2030 which allows for increased capital amortisation over the fixed known period that, if not fixed today, would not lead to deployment.

Overweight permit regime

We believe that if a road user can clearly demonstrate that increasing a vehicle's mass (or group of vehicles) is of benefit then the road user should not be penalised by paying more RUC. Fewer trucks on the road and less fuel being burnt is of benefit to all parties concerned.

We believe officials should investigate options to enable heavy vehicles carrying empty loads to pay reduced rates of RUC. Our milk tankers are often empty – greater than 50 percent of the time – yet pay full RUC. Vehicle telemetry could be fed into an eRUC system to ensure road users are only paying for the load being carried.

Rates

One complexity that could be addressed is the wide range of RUC rates. These are based on a range of factors, for example different truck/trailer combinations, vehicle types and weight. This leads to hundreds of different potential RUC rates.

Because RUC rate increases are not the same across all rates, some configurations are rewarded while others are penalised and there have been changes in direction in the past, creating policy instability and making it difficult for road users to invest in equipment with confidence.

Other issues

Fonterra supports the purchase of RUC in units of less than 1,000km. The current system can have a negative impact on road users' working capital when funds are tied up in RUC for trucks that may not be in use at a given time.

We support distance-based exemptions to RUC.

We agree that the RUC Act should allow setting partial RUC rates to recognise Fuel Excise Duty paid by dual-fuel vehicles, although we note there would be complexity with implementation.

21 April 2022
Document: 3017758

RUC Consultation 2022
Te Manatū Waka Ministry of Transport
PO Box 3175
Wellington 6140

Via email to: RUCConsultation22@transport.govt.nz

Dear Sir / Madam

Submission on Road User Charges System consultation

Introduction

The Taranaki Regional Transport Committee (the Committee) appreciates the opportunity to provide Te Manatū Waka Ministry of Transport (the Ministry) with feedback during its consultation on the discussion document, *Driving Change: Reviewing the Road User Charges System* (the Review).

The Committee makes this submission in recognition of:

- the purpose of local government set out in the *Local Government Act 2002* (LGA), and the role, status, powers and principles under that Act relating to local authorities;
- its functions and responsibilities of a regional transport committee (RTC) under the *Land Transport Management Act 2003* (LTMA); and
- its regional advocacy responsibilities whereby the Committee represents the Taranaki region on transport matters of regional significance or concern.

The Taranaki Regional Council works with territorial authorities and other stakeholders in Taranaki to enable a resilient and safe, multi-modal transport system. The Regional Transport Committee is a standing committee (under the LTMA) of the Taranaki Regional Council, which includes representation from the Taranaki Regional Council, the New Plymouth, Stratford and South Taranaki district councils, and Waka Kotahi. It receives advice from the Regional Transport Advisory Group for Taranaki, which consists of technical staff from the member organisations.

One of the Committee's key responsibilities is to prepare, review, vary and monitor the implementation of the *Taranaki Regional Land Transport Plan* (RLTP). The Committee therefore considers solutions that address the four community well-beings (LGA) and the wider range of objectives in the RLTP (per the LTMA).

General comments

The following background points have been noted by the Committee as part of their consideration of the matters raised in the review:

- Like in many other countries, most road users pay levies when they buy petrol. The Road User Charge (RUC) System applies to vehicles using fuels other than petrol (primarily diesel) or with a gross vehicle mass greater than 3.5 tonnes. RUC imposes distance and weight-based charges for these vehicles' use of public roads, *in proportion to the costs those vehicles generate*.
- The RUC system has remained largely unchanged since it was introduced in 1978. The last major reform of the country's RUC system was in 2012, and much has changed since then: within the transport sector (including a substantial increase in the number of light diesel vehicles); the technology advances in that time; and increased recognition of the need to address climate change.
- RUC currently applies to a quarter of NZ's vehicle fleet, but makes up a far greater proportion of the revenue earned. RUC is a key source of revenue to the National Land Transport Fund (NLTF), making up 45% (about \$2b) of the \$4.3B NLTF in 2020/21.
- The NLTF currently pays for maintenance and improvements of the land transport system, including roads, public transport, walking and cycling infrastructure.
- Light electric vehicles are currently exempt from RUC, but this exemption is due to end on 31 March 2024.

The following general comments are made by the Committee:

- The Committee supports the need for a review of the RUC System.
- The Committee congratulates the Ministry on the depth and breadth of the issues and questions raised in the discussion document. The Committee has also appreciated the Ministry's willingness to engage with different groups, including providing a high-level presentation to the Committee's meeting on 2 March 2022, and the offering of a number of targeted workshops for involved sectors.
- The Committee has restricted its comments to the less technical aspects raised in the Review, leaving more operational matters to the relevant sectors, most specifically the heavy vehicle industry and the telemetry market. Feedback therefore centres on matters raised in Chapter 2 [Improving the RUC System for end users], a few on specific matters within Chapter 3 [Improving the RUC System for end users], and none made directly about matters covered in Chapter 4 [Technical amendments to the RUC Act].

Chapter 2 – Purpose and scope of the RUC system

Background notes:

- RUC's purpose is to charge some vehicles for their use of public roads, in proportion to the costs those vehicles generate. The current RUC legislation is therefore focussed on recovering the costs of damage to our road network, especially that caused by heavy vehicles, and ensuring that operators of vehicles that cause the damage pay the appropriate amount.

- Road transport causes a range of positive and negative impacts and these are referred to as externalities. These externalities can include environmental damage such as air or water pollution, noise pollution, road damage, accidents, or other harms such as congestion. Air pollution from motor vehicles also has significant health and social costs.
- It is accepted that road transport is the fastest growing domestic source of greenhouse gas emissions, and has a significant role to play in decarbonisation.
- Currently the RUC legislation provides for the setting of RUC rates to be in proportion to the costs that the vehicles generate. These costs have historically been limited only to the direct costs of damage caused by the vehicles' use of the roads, along with the wider costs of building and maintaining the transport system. A key question of the Review is whether it is appropriate to expand the costs that could be taken into account when setting RUC. There is a growing interest in using the RUC system to also capture some of those other costs, or to offset the higher costs faces by some emerging technologies, ahead of their widespread adoption.

Submission points:

- The Committee believes that RUC should retain a hypothecated user pays / polluter pays approach for recovering roading costs, while the complex externalities should be treated elsewhere than through the RUC Act.
- The Committee therefore submits that funding for climate change and emissions reduction should be collected through mechanisms other than RUC. One obvious potential is fuel tax, which is an existing mechanism already being used to some extent, and that can be directly related to the greenhouse gases that result. A fuel tax could also be used to capture greenhouse emissions from the many users of fossil fuels that are not operated on the road – for example, agricultural machinery, marine use, home heating etc.
- The Committee further submits that the exemption from RUC for electric vehicles (EVs) should not be extended, as such vehicle users should still pay for their use of the roads. Additionally this exemption favours the wealthier in society, as vehicles powered by low-carbon fuels are currently significantly more expensive than their fossil fuel counterparts are.
- The Committee submits that a more worthy RUC exemption would be for the buses used to service public transport networks and school services.

Chapter 3 – Improving the general functioning of the RUC system

Submission points:

- The Committee believes that the RUC system should be very simple, easy to use and low cost to administer. The increased use of technology is paramount to achieving this.
- The Committee is uncertain of the value of mandating eRUC (Question 18), despite the seeming efficiencies gained in terms of administration. It is understood that eRUC has higher costs than paper RUC for many users, so any mandating of eRUC should be:

- only for commercial vehicles,
- only for vehicles that undertake a certain quantum of VKT per year (for example, 10,000kms annually), and
- introduced on a clearly staged timeline basis to give the telematics market time to develop an appropriate solution for small to medium enterprises who may be unfairly impacted by the costs of high specification devices that exceed their needs.

Funding into the future

Background notes:

- In addition to the existing temporary exemptions from RUC for EVs, the Government is already using a number of levers to assist the transport sector to decarbonise. Its primary tool to reduce greenhouse gas emissions is the ETS, which puts a price on emissions by charging certain sectors of the economy for the greenhouse gases they emit. This applies to transport fuels. In addition, it is investing in low emission vehicles through government procurement of vehicles and the Low Emission Transport Fund; and establishing the Clean Car Discount scheme and the Clean Car Standard. The Government is also progressing a Biofuels mandate.
- The Committee notes that RUC exemptions come at a cost in terms of reduced revenue for the NLTF, which will increase the already significant pressure on the NLTF. The lost revenue will need to be balanced against the Government's existing GPS investment priorities that will need to be deferred or delayed as a result of the reduced revenue. NLTF revenue is already partly used to reduce carbon emissions and other negative externalities due to the funds invested in public transport and active modes.
- Wider use of discounts or exemptions will likely lead to a decline in funds available for building and maintaining transport infrastructure and the likelihood of additional increased costs for other road users to offset the expected revenue loss.
- The Taranaki region has a high proportion of heavy vehicle traffic, including milk tankers and logging trucks and our district councils spend a disproportionate amount of their constrained budgets on repairing their road networks.

Submission points:

- The Committee submits that the 'real' funding questions should not be limited to RUC considerations. Rather questions should relate to the overall funding system for land transport as a whole. The NLTF is not fit for purpose, barely providing enough to cover what is needed now and is certainly insufficient for covering the transformational change that the Government is proposing. The NLTF needs more funding to achieve the country's ambitions. RUC is only one part of this revenue system, and the Committee questions why there is no visibility of Waka Kotahi's wider and long-running review of long term funding for transport.
- The Committee would like to see analysis and reporting into the amount of RUC and FED collected in the region (that is, from vehicles using public roads within Taranaki) relative to the amount spent in the region through the NLTF. The Committee believes there may be merit in an operational system where the collection

of RUC revenue is able to be better assigned to the region that was impacted on by the travel, but there is currently insufficient information available to determine this.

- The Committee submits that the overall impact to the NLTF for using any levers such as RUC to change behaviour needs to be neutral in terms of available funding, so any resulting shortfalls should be met through general taxation.
- The Committee would like consideration given to whether it is sufficiently beneficial to continue to administer the Vehicle Registration (Rego) system, with all the overheads and costs that a separate system involves to operate. It may well be more effective to incorporate the fees collected through the Rego system as a flat tax within the FED, thereby streamlining the systems governing the operation of motor vehicles in the country.

Regulatory Funding and Fees Consultation

The Committee notes the release of a separate '*Regulatory funding and fees consultation 2022*' on 21 March 2022 by Waka Kotahi. The Committee does not plan to submit on this other consultation. It notes that the plethora of consultations and change proposals across Government are overwhelming, and organisations are simply not sufficiently resourced to respond to them all in a considered manner. There is strong concern that these various proposals are not being appropriately aligned and considered as a whole.

Summary and conclusion

In summary, the Committee thanks Te Manatū Waka Ministry of Transport for the opportunity to provide feedback on the review of the RUC System.

It is the Committee's view that:

- RUC should retain a hypothecated user-pays approach to recover direct roading costs, rather than being expanding to externalities.
- Funding for the land transport system overall requires substantive change.
- The exemption for EVs should end, and rather be directed to the public transport fleet.

The Committee looks forward to future formal consultation stages that result from information gathered during this discussion stage, where it will be able to consider any specific changes proposed, and the justification for such proposals.

If you require any additional information on this submission, please contact s 9(2)(a)

s 9(2)(a)

Yours faithfully

s 9(2)(a)

Cr Matthew McDonald
Chair Regional Transport Committee
Taranaki Regional Council

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22 April 2022

RUC Consultation 2022
Te Manatū Waka Ministry of Transport
PO Box 3175
Wellington 6140

Sent by email: RUCConsultation22@transport.govt.nz

Dear Sir/Madam

Submission on Te huringa taraiwa: Te arotake i te pūnaha utu kaiwhakamahi rori: Driving Change: Reviewing the Road User Charges System

1. This submission is made by Foodstuffs (NZ) Limited on behalf of Foodstuffs North Island Limited (FSNI) and Foodstuffs South Island Limited (FSSI), which are 100 per cent New Zealand owned retailer co-operatives. The regional co-operatives jointly own Foodstuffs (NZ) Limited (Foodstuffs) which represents the co-operatives interests in national policy and input on public policy matters.
2. The Foodstuffs co-operatives own and develop retail stores which are franchised to co-operative members. Our retail brands include PAK'nSAVE, New World, Four Square, Raeward Fresh, On-the-Spot, Henry's Beer Wine and Spirits, and Liquorland. Foodstuffs also has large transport operations, primarily servicing freight movements to distribution centres and member stores.
3. Foodstuffs welcomes the opportunity to submit on the *Te huringa taraiwa: Te arotake i te pūnaha utu kaiwhakamahi rori: Driving Change: Reviewing the Road User Charges System* (Consultation Document).
4. Foodstuffs broadly supports the current road user chargers (RUC) system as it is a reasonable mechanism for recovering the costs of building, running, and maintaining the roading system. It is based on a vehicle mass and distance-based calculation and essentially it is a user pays approach, with an intent that RUC rates are set in proportion to the costs that vehicles generate. Foodstuffs does not support the proposal to widen the scope of the current RUC regime to include externalities (such as congestion, accidents, pollution, CO² or greenhouse gas emissions) in the RUC calculations. While we agree that there are challenges with climate change and the need to reduce the transport sector's climate change emissions, any funding to deal with the costs of externalities should use a fair and transparent system where all road users contribute to the costs, not just vehicles subject to RUC.
5. Feedback on the consultation document questions is attached. We have focused on the questions that are most relevant to us, particularly in relation to heavy transport service

licenced freight vehicles.

Yours sincerely

s 9(2)(a)

Sarah Tuohy
Public Policy Manager

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APPENDIX: 1 - FEEDBACK ON CONSULTATION QUESTIONS

Expanding the RUC rates to cover other costs

Relevant questions:

- Q1. What are the advantages and disadvantages of using RUC to recover more than the direct costs of building, operating and maintaining the land transport system?
- Q2. If RUC should not be used for recovering more than road costs, what alternative approach might be appropriate for recovering those other costs?
- Q3. What advantages and disadvantages are there to considering externalities when setting RUC rates?
- Q4. If externalities were to be considered, what criteria could be used to determine what externalities should be taken into account in setting RUC rates?
- Q5. If externalities were to be considered, how should these costs be set?
- Q6. Would charges for externalities be in addition to the current form of RUC, and potentially used to address the externalities directly, or be a core part of total land transport revenue?
- Q7. How would vehicles not paying RUC be affected?

Comments

1. Foodstuffs broadly supports the current road user charges (RUC) system as it is a reasonable mechanism for recovering the costs of building, running, and maintaining the roading system. It is based on a vehicle mass and distance-based calculation and, fundamentally, it is a user pays approach. Foodstuffs does not support widening the scope of the current RUC regime to include externalities, such as congestion, pollution, CO₂ or greenhouse gas emissions, in the RUC calculations. Funding the cost of dealing with externalities should use a fair and transparent system where all road users contribute to the costs, not just vehicles subject to RUC.
2. The Government is already using a number of levers to assist the transport sector to decarbonise. These include the Emissions Trading Scheme, Clean Car Discount Scheme, Clean Car Standard, and temporary exemptions from RUCs for electric vehicles (EVs). The Government has also announced it will legislate to impose a Sustainable Biofuels Mandate on those who import fuels into New Zealand to reduce the emissions of the fuels they sell by a set percentage each year by deploying biofuels as a part of their fuel supply. It is expected that here will also be the new obligation under the Emissions Reduction Plan (ERP), due to be published in May. The Government response to the report of the Transport and Infrastructure Committee on the inquiry into congestion pricing in Auckland has indicated that congestion charging could be part of the ERP. There are also other mechanisms to address other externalities, such as road accidents, with the Accident Compensation Corporation motor vehicle levy. Potentially there could even be the use of general taxation funds to cover any matters related to the public good.
3. If the RUC system is used to capture some costs caused by pollution or congestion, or to offset the higher costs faced by some emerging technologies ahead of their widespread adoption, this would be a major change to how RUCs are calculated. If the Government wishes to encourage the use of more environmentally friendly vehicles, this can be achieved by making environmental policy more robust and directly targeted to that initiative.
4. If there is a decision to proceed and use RUC to recover more than road costs, then there would have to be decisions about how to allocate any funding to address other policy objectives. It is our view that the National Land Transport Fund (NLTF) should be ring-fenced for roading projects and subsidising public transport.
5. It should also be borne in mind that if the costs of externalities are placed solely on vehicles subject to RUC, this could have the impact that additional costs that are imposed on to heavy freight vehicles will be an additional cost in the supply chain and likely to ultimately

impact the price of consumer goods. While we accept that there will be cost impacts of New Zealand addressing some of these externalities, these costs should be borne by all road users, not just vehicles subject to RUC.

6. RUC works reasonably well for the purpose which it has been designed. However, if it were to incorporate the policy objectives that have been raised, this would be a major transformation of the RUC system and we do not believe the RUC system is fit for this purpose. For each policy objective raised in the Consultation Document, there should be consideration of the alternative funding options and an analysis undertaken on the pros and cons of each option to determine the best mechanism for the circumstances. We would expect that there would be better mechanisms than the use of RUC. For example, use of congestion charges for addressing congestion issues. This would also ensure that costs and recovery can be managed in a fair and transparent manner. All road users, not just RUC users, should contribute their fair share for access to the roading system and to ensure the roading system is fit for purpose.

Advantages and disadvantages of changing the RUC Act to accommodate emission policy

Relevant questions:

- Q8. What are the advantages and disadvantages involved in changing the purpose of the RUC Act so climate change policy generally, or greenhouse gas emissions specifically, can be considered when setting RUC rates?
- Q9. What advantages and disadvantages would there be if there was an explicit requirement to consider RUC exemptions as part of the development of the Government Policy Statement on land transport?
- Q 10. What are the advantages and disadvantages of enabling consideration of greenhouse gas emissions when setting RUC rates?
- Q11. How should the RUC rates be set for vehicles that could use more than one fuel and these fuels had different greenhouse gas emissions?
- Q.12 What advantages and disadvantages are involved in using NLTF revenue to reduce carbon emissions rather than foregoing RUC revenue?

Comments

7. As stated in the section above, RUC should not include any additional costs on top of the direct costs of building, operating, and maintaining the land transport system. We see no advantages in widening the scope of the current RUC regime. By attempting to include factors that are not mass and distance based the system loses its integrity and resource allocation will become challenging. As noted above, the alternative approach is to either, use systems already set up to manage those externalities, or to develop other systems that keep costs and respective recovery relatively transparent. Further, any such system should attribute cost recovery in a specific and proportional way to the driver/s of that externality.
8. Government climate policy and greenhouse gas emissions should be considered separately to the RUC Act, with separate legislation that includes appropriate matters such as incentives and levies to aid in the specific policy objective.

Fuel type, origin and blend in RUC rates

Relevant question:

- Q13. What advantages and disadvantages with the source of different fuel types being included in RUC calculations (separately from the direct climate impacts of the fuel used)?

Comments

9. All road users should pay proportionally for access to the roading system based on the costs they impose on the roading systems. Foodstuffs does not support including fuel type, origin and blend in RUC rates.

Adaptable to future challenges

Related questions:

- Q17. How else would you change the setting of RUC to ensure it is adaptable to future challenges?

Comments

10. Foodstuffs supports development of further technology and competition in the administration of eRUC to allow greater agility and timeliness in implementation of changes to RUC.

Mandating eRUC

Related questions:

- Q18. What advantages and disadvantages of mandating eRUC for heavy vehicles?
Q19. What vehicle types should or should not be required to use eRUC.
Q20. How would phasing-in of eRUC for the heavy vehicle fleet be best accomplished?
Q21. Are the existing requirements for eRUC devices reasonable if the technology was to be made compulsory?
Q22. What alternative technological models should we be exploring for eRUC?
Q23. How would making eRUC mandatory affect your business?

Comments

11. Foodstuffs already uses eRUC extensively across our fleet and therefore making it mandatory to use eRUC would not materially impact our business. However we are of the view that it is too soon to mandate eRUC. We strongly encourage Government to find ways to encourage more competition in the market for providers of eRUC services. This may drive down price and in turn may increase uptake of people voluntarily adopting eRUC.

Using eRUC to improve safety and productivity

Related questions:

- Q24. What advantages and disadvantages of mandating integrated telematics solutions that could support improved productivity and safety compliance, either as part of eRUC systems or as standalone devices?
Q 26. What, if any, changes in costs would additional requirements to allow eRUC devices to be used to support improved productivity and safety compliance place on users, eRUC devices and eRUC providers?

Comments

12. Integrated systems, such as eRUC with integrated telematics, should be able to convince the market of their value without a Government mandate compelling use of eRUC. Integrated telematic solutions should be an optional extra to help keep down eRUC costs. It is not clear that eRUC would improve safety concerns. eRUC primarily relates to the mass and distance characteristics of a vehicle and, while in some cases there may be a good correlation between what a vehicle does and the driver's duties (for example, when the vast majority of the driver's time is spent driving the vehicle), in many cases that correlation will not exist. In many cases, the driver will undertake tasks other than driving which will not be captured under a vehicle tracking technology.

Privacy concerns and access to eRUC data for enforcement

Related questions:

- Q25. How can privacy concerns be managed if we are going to make greater use of eRUC data?

- Q27. What are the advantages and disadvantages of enforcement authorities having greater access to eRUC data for enforcement of logbook requirements or other on-road enforcement tasks?

Comments

13. The concept of greater surveillance attributes and enforcement brings into focus the role of eRUC providers and access to their records for verification and evidential purposes. eRUC data does not necessarily tie the vehicle and the logbook holder together. Furthermore, some vehicles can be used by multiple logbook holders over any given period of time, so the information may be prone to inaccuracies.
14. There appear to be some significant policy and legal issues to be resolved before these areas could be substantively progressed. The concept of more surveillance attributes and enforcement brings into focus the role of eRUC providers and access to their records for verification and evidential purposes.
15. It is noted that it is expected that there will be further consultation on the use of electronic logbooks and their relationship to eRUC that is also expected to take place under a separate Road to Zero consultation.

Partial RUC for vehicles that pay fuel excise duty (FED)

Related questions:

- Q 28. What are the advantages and disadvantages of allowing the RUC Act to set partial RUC rates to recognise FED paid by dual-fuel vehicles?
- Q 29. According to what criteria should partial RUC rates be determined?
- Q 30. Should operators of dual-fuel vehicles with a reduced RUC rate still be able to claim a full FED refund if they used more fuel than the average?
- Q31. What are the advantages and disadvantages of enabling partial RUC rates to help transition exempted vehicles to full RUC rates?

Comments

16. All road users should pay their share of the costs of building, maintaining, and operating of the roading system, regardless of the fuel used to power the vehicle. On this basis we think there would be merit in reviewing the respective rates of RUC and FED paid by dual fuel vehicles to ensure the balance between both schemes is correct. This would help better ensure that dual-fuel vehicles are paying an appropriate amount of FED and RUCs.

Exempting certain types of vehicle combinations from RUC

Related questions:

- Q32. What are the advantages and disadvantages of the heavy EV exemption being extended for more than five years?
- Q33. How would extending the end date be effective in encouraging the uptake of heavy EVs?
- Q34. Should the current exemption be extended to 31 March 2030 to encourage the uptake of heavy electric vehicles? Would an alternative date be better and why?
- Q35. How would exempting vehicle combinations where the motive power is from a vehicle exempted from paying RUC encourage the uptake of heavy electric vehicles?

Comments

17. While exempting heavy vehicle EVs from their respective RUC obligations beyond the present 5-year window may have some appeal, it is questionable whether from a national road funding perspective that it is the best thing to do. All vehicles should pay for roading costs, regardless of the fuel used to power the vehicle. Instead, other incentives should be used to encourage investment and uptake in new technology, rather than using RUCs as a tool to bring about change. These incentives should not be limited to EV technology exclusively.

Adjusting the overweight permit regime

Related question:

- Q. 42 What changes should be made to section 12 of the RUC Act to improve the overweight permit regime?

Comments

18. The Consultation Document refers to the 2016 evaluation of the RUC Act which found that an area of concern is the overweight heavy vehicle regime. The Consultation Document notes that this is a complicated area that it will require extensive consultation, and that at this stage Waka Kotahi does not have a preferred option for addressing the concerns identified in the evaluation. Please keep us informed of any developments in this area.

Removing the requirement for light vehicles to display a RUC licence

Related questions:

- Q44. What are the advantages and disadvantages of removing the requirement to display a physical RUC label?
- Q45. What problems for noncompliance and enforcement might this cause?
- Q46. How can Waka Kotahi assist drivers in ensuring they remain compliant with RUC if the label display requirement is removed?
- Q47. What are the advantages and disadvantages of retaining the option to request a physical licence?

Comments

19. If there is removal of the requirement for vehicles to display a RUC licence, RUC licence information would need to be reliably up-to-date and the operator would need to know whether the vehicle has the appropriate RUC purchased at any given time, ideally with information available via an online (and 'mobile-friendly') platform.

Vehicle Licence ('rego') labels

Related questions:

- Q49. What are the advantages and disadvantages of removing the requirement to display physical vehicle licence ('rego') labels?
- Q50. How can Waka Kotahi assist drivers in ensuring they remain compliant with their vehicle licensing obligations if the label-display requirement is removed?
- Q51. What are the advantages and disadvantages of retaining the option to request a physical vehicle licence label?

Comments

20. On face value it seems sensible to reduce Waka Kotahi's administrative costs in printing and mailing motor vehicle licences to move to an online licencing register. However, we have concerns that these cost savings could be offset by an increase in Waka Kotahi's compliance and enforcement costs as the number of people that do not renew their licence at the correct time increases. Removal of the requirement to display physical labels may result in an increase in people either people deliberately abusing the system or an increase in those who genuinely forget to make payment at the appropriate time because the licence is not on their vehicle. Waka Kotahi can assist vehicle owners to remain compliant with their vehicle licence registration and renewal obligations with reminders (potentially more than one) via email or text. While it is up to vehicle owners to remain compliant with their obligations, even if they do not receive reminders, for some companies, changes in staff could mean occasionally the communication from Waka Kotahi may not make it to the correct person at the correct time. Whereas a physical licence on the vehicle means anyone can inspect a licence at any time. The physical licence also provides additional information on the vehicle

year, make and model and this information can be useful for verification when purchasing a vehicle.

Use of historical RUC rates

Related questions:

- Q52. What are the advantages and disadvantages of letting Waka Kotahi use historical RUC rates when carrying out an assessment?

Comments

21. Foodstuffs supports the use of historical RUC rates for establishing the value of assessments.

Assisting new RUC payers to commence paying RUC

Related questions:

- Q56. Are there any new issues that might need to be considered including those that might justify changes to RUC legislation, to address an influx of new RUC system users when the light EV exemption ends?
- Q57. How should the RUC system help new users purchase RUC from the exemption end date and from the correct initial odometer reading, after the exemption ends?

Comments

22. Waka Kotahi needs to educate owners of EVs that they are about to be captured by the RUC scheme. As the exemption date approaches, they should be sent a communication that explains what they need to do. It can be validated at the next warrant of fitness (WOF)/ certificate of fitness (COF). Possibly new RUC payer's vehicles should have to do a one-off odometer verification process at a WOF / COF testing station before the new RUC licence goes live.

Amending the RUC penalties

Related questions:

- Q58. Should the maximum infringements set out in section 89(a) of the RUC Act be amended? If so, how?
- Q59. Are the existing infringements set at appropriate levels for the offence?
- Q60. Should the offender type ratios differ between individuals and body corporates? If so, how?
- Q61. Would you also change the fee/fine ratio? If so, how?

Comments

23. Foodstuffs takes its compliance obligations seriously and would not expect to be captured by these provisions. However, it is not clear that amending the infringements would have a material impact on offending. Rather than increasing the base fine thresholds, consideration should be given to ensuring that there is rigour around assessments and timely enforcement so that recoveries of unpaid RUCs are appropriately followed up and recovered.

Reclassifying 8 axle combinations

Related question:

- Q67. What are the advantages and disadvantages of our proposed approach to classifying vehicles with eight axle combinations?

Comments

24. We agree with the proposed approach to classifying vehicles with eight axle combinations as it will align it with the bands allowed within the *Land Transport Rule: Vehicle Dimensions and Mass 2016*.

Retention of weight based records

Related questions:

- Q74. What are the advantages and disadvantages of requiring vehicle operators to retain weight based records?
- Q75. How long should any weight-based records be retained for?
- Q76. What could Waka Kotahi do to make this requirement more feasible for companies that create weight-based records?

Comments

25. We do not support the proposal that operators retain weight-based records as there would be additional compliance costs for operators. Notwithstanding, Foodstuffs takes all of its compliance obligations seriously, including having weighbridges at key distribution centre sites to aid in compliance with our obligations. Furthermore, better use of weigh-in-motion facilities nationwide will also negate the need for operators to retain weight base records. Should there be a decision to require retention of records and obligations on operators to disclose data to Waka Kotahi, as the information has some commercial sensitivity, we would expect there would be assurances from the agency that the information is held securely with restricted access rights.

Display of heavy vehicle RUC licences

Related questions:

- Q80. What are the advantages and disadvantages of removing the requirement for an electronic distance recorder (EDR) to also display the RUC licence?
- Q81. What requirements should the RUC legislation have around the display of distance on an electronic distance recorder (EDR)?
- Q82. What are the advantages and disadvantages of completely removing the requirement for carrying or displaying a RUC licence for heavy vehicles?

Comments

26. We support Waka Kotahi adapting to industry innovation. We support removing the requirement for ehubs to display the RUC label, but still display the distance travelled. However, there must be systems in place, such as an online ('mobile-friendly') platform, so that the operator knows whether the vehicle has the appropriate certification at any given time and enforcement officers can also ascertain that information.

Road User Charges Proposal



Contents

Introduction	03
Our Submission	04
Contact Details	08

Introduction

Global Bus Ventures, formally Designline (founded in Sept 1985), is the largest Coach-building company in NZ. We are the only body builder in NZ that builds vehicles from the ground up. This means we are also capable of constructing the Chassis as well.

We have been building electric/hybrid vehicles for over twenty years. The latest Electric vehicles that we have built, are currently in use in Christchurch. These vehicles are 100% electric, can carry a maximum of 50 people and are RUC compliant which means no permit is required.

We are also the first company in New Zealand to build a Hydrogen Fuel cell/ Zero emission city bus.

This bus which is capable of carrying 74 passengers, is also RUC compliant, with no extra axle weight permit required. This vehicle is owned by Auckland Transport and is currently undergoing testing, with the view of purchasing more.

Our submission, is focused on the fact that RUC was introduced as a user pays road maintenance & infrastructure scheme, based on the vehicles overall and axle weights.

We believe, that this weight based system should be kept and that whatever power train the vehicle has, should not be a reason for exemption.

"Getting the policy straight & consistent between user fees & network investment is a unique one."

- American study of our RUC Feb 2019

The majority of the electric passenger vehicles currently being imported into NZ are either:

- All up heavier, requiring higher RUC
- Or are overweight, on a specific axle, which needs special permits.

These are the factors that are damaging our roads and this is what the system was designed to compensate for.

Any amendment to the overweight permit regime, should only be to increase the levy. As previously stated, it is the weight that is the problem. The propulsion method of the vehicle has no effect on the road damage.

I found an interesting note in in the American study, which relates to proposed amendments to the current RUC. The American study stated...

“...Focus on road damage cost recovery alone, simplifies the calculation and transparency. However, the potential policy direction which may apply these mechanisms to deal with impacts beyond roadway damage (such as congestion), would add complexity in terms of both fairness and consensus).”

We at Global Bus Ventures would agree, the same would be said if we attempt to incentivize EV vehicles via RUC charges.

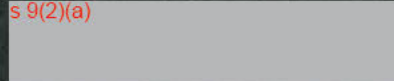
Global Bus Ventures, believe that any incentives for the uptake of low carbon fueled vehicles should be kept totally separate from the RUC.

Ngā mihi.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Tom McLeish
New Zealand Sales Manager
Global Bus Ventures

s 9(2)(a)



Tim Duncan
Chief Executive Officer,
Global Bus Ventures

s 9(2)(a)



HAMILTON CITY COUNCIL – FINAL SUBMISSION

Driving Climate Change: Reviewing the Road User Charges System – Considering Climate Change, Simplifying Compliance and Making Better Use of Technology as our Transport System Changes (January 2022 Consultation Document)

Ministry of Transport



4 May 2022



**Hamilton
City Council**
Te kaunihera o Kirikiriroa

Improving the Wellbeing of Hamiltonians

Hamilton City Council is focused on improving the wellbeing of Hamiltonians through delivering to our five priorities of shaping:

- A city that's easy to live in
- A city where our people thrive
- A central city where our people love to be
- A fun city with lots to do
- A green city

The topic of this submission is aligned to our 'A city where our people thrive' priority.

As a city we want to have safe routes for people to move around our city, alongside efficient transport connections to connect Hamilton to other places.

Council Approval and Reference

This submission was approved (under delegated authority) by the Chair and Deputy Chair of Hamilton City Council's Infrastructure Operations Committee (as resolved at the Council's 12 April 2022 Infrastructure Operations Committee meeting).

Hamilton City Council Reference D-4109860 - submission # 685

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Overarching Themes and Messages

1. Overall, Hamilton City Council supports the direction and content of the Ministry of Transport's January 2022 Consultation Document **Driving Climate Change: Reviewing the Road User Charges System – Considering Climate Change, Simplifying Compliance and Making Better Use of Technology as our Transport System Changes**.
2. We strongly support the need to recover externalities such as the impacts of emissions on the environment, health and safety and climate. The long-term and wider external costs of the road system, including human health and climate change, should be considered for all road users.
3. All road users should pay a minimum cost towards using roads. This supports mode shift by increasing the cost of single car ownership and decreasing the cost of using public transport by improving public transport infrastructure and services.
4. We support that high carbon vehicles (i.e., petrol and diesel) should require an emissions charge and funds recovered go towards emissions reductions, improved public transport infrastructure and services, EV infrastructure and health related issues.
5. The RUC may not be the best mechanism for an emissions charge, given that petrol vehicles already pay through the fuel excise duty and therefore we strongly support that a tax mechanism is explored as an option for an emission charge.
6. Low emission vehicles should not be exempt from road user charges – but if an emission related fee is charged through the RUC, they should not be charged this.
7. Exemptions or discounts for low emissions vehicles should not be permanent, as all road users should contribute to a basic fee. Discounts/exemptions should continue to be placed as incentives to encourage use to the point where either uptake reaches climate related targets, or it is understood that as an incentive this is ineffective.
8. Revenue raised from a basic charge should be used for improving road safety, increasing public transport infrastructure, road maintenance, and improve the use of low carbon, recycled materials used on roads.
9. Hamilton City Council supports that there should be a range of incentives and mechanisms to increase electric vehicle use, including changing the purpose of the RUC Act to support technologies or fuels that are currently more expensive than existing fuels but assist with reducing greenhouse gas emissions.
10. However, there should be a much stronger shift than current towards increasing alternative modes of transport (and decrease car use) for travel to and within all New Zealand's cities. This would support a more equitable transition that will create more livable cities as population grows and promote healthy and low carbon lifestyles.
11. The current move by the government to halve the cost of public transport is a good step towards encouraging low carbon behaviours and should be made permanent. However, reducing the cost of public transport and increasing RUCs alone will not change behaviours. Public transport should be the fastest and most convenient mode of travel within, to and from cities. Significant investment is urgently needed, and the RUC should contribute to that as a means to counteract the significant contribution road travel has to our greenhouse emissions.
12. We strongly support the proposal from Waka Kotahi scoping the option to develop an online tool to assist road users with their compliance in terms of both vehicle licensing and RUC.

Response to Various Consultation Document Questions

13. The following provides Hamilton City Council's response to a number of the questions outlined in the Ministry of Transport's consultation document.
14. ***Question 1: What are the advantages and disadvantages of using RUC to recover more than the direct costs of building, operating, and maintaining the land transport system?***
15. **RESPONSE:**
16. We support the use of RUCs to recover more than the direct costs of building, operating, and maintaining the land transport system.
17. The RUC already ensures that operators of vehicles that cause damage to the road network pay the appropriate amount. This model is a good starting point and can be extended to ensure that those who cause the most damage in terms of impacts on health, climate, pollution, and biodiversity pay the appropriate amount for this too.
18. The system is already in place and road users are aware of and understand how to use it. It would likely be easier to continue using this system and extending it, instead of creating a new system.
19. This could lead to costs of externalities being recovered sooner and utilised quickly.
20. In the context of transport emissions and climate change, we know that we need to act as soon as possible. A charge needs to be in place to help to shift behaviours and make much needed changes sooner rather than later, for example by shifting people away from driving high emissions to lower emissions vehicles, which has both climate and health benefits. However, we do believe a simpler way than using the RUC could be to charge high emission vehicles fuel tax, and this should be considered.
21. A disadvantage of using the RUC to recover the cost of externalities, is that petrol vehicles are already charged an emissions fee from the Fuel Excise Duty (FED), so this will potentially create a confusing system that is hard to understand.
22. Another disadvantage is that people may continue to associate the cost with the building, operating and maintenance of the transport system, and so may want to see the funds spent on that. This may lead to expectations of vehicle focused improvements to our transport network, when we need our transport system to encourage a more multimodal view.
23. It would need to be made clear that any increased costs/charges will be put towards a number of incentives, some of which will be designed with behaviour change, climate benefits, health benefits etc. in mind. Work would need to be done to raise public awareness and understanding that there is more cost to driving than just infrastructure, and that this is why the RUC is changing.
24. Another disadvantage of using RUC to recover costs of externalities such as climate impacts could be that it just becomes 'another cost' that people put up with and get used to. For those who cannot afford high petrol and road user charges so easily the options become either using cheaper, unsafe, higher emission vehicles or a currently poor public transport system. An effective public transport system is not one that only those who can't afford car travel will use. Significant investment needs to be made to create a public transport system across New Zealand that is the quickest easiest and preferred mode of transport for all.
25. ***Question 2: If RUC should not be used for recovering more than road costs, what alternative approach might be appropriate for recovering those costs?***
26. **RESPONSE:**
27. We support the use of RUCs for recovering more than road costs, such as impacts of emissions on health and climate.

28. If high-carbon fuel vehicles are not charged a climate and health related cost through the RUC, then another charge system must be in place. We support exploring fuel tax as an option.
29. ***Question 3: What advantages and disadvantages are there to considering externalities when setting RUC rates?***
30. **RESPONSE:**
31. An advantage of considering externalities when setting RUC rates is that this is a fairer way to allocate costs of transport options and could be used to influence travel decisions towards more climate-friendly modes.
32. A disadvantage is that alone the RUC charge is a poor way to encourage mode shift and will not drive an equitable transition. It is key that the RUC charges are balanced with a range of incentives and mechanisms and a significant investment into the infrastructure for alternative modes of travel is made.
33. ***Question 4: If externalities were to be considered, what criteria should be used to determine what externalities should be taken into account when setting RUC rates?***
34. **RESPONSE:**
35. Refer response to question 5 below.
36. ***Question 5: If externalities were to be considered, how should these costs be set?***
37. **RESPONSE:**
38. We strongly support that externalities should be charged to road users. However, we recommend further consideration as to whether the RUC is the most effective and efficient method for charging for those externalities. If there are more efficient methods (e.g., increasing petrol taxes) then that should be considered/favoured. The extent of negative impacts caused by the externality should be taken into account and costs be set based on the expense of removing or reducing the impact.
39. Externalities considered should be specific to the negative impacts that road use has on health and the environment. This should include the cost to human health through both pollution and road accidents, and the cost to mitigate environmental impacts from both construction and use including pollution, water, waste, biodiversity and climate impacts.
40. The cost of driving on our roads should correlate to the cost that driving has on the environment and public health. The transport sector is responsible for over 21 percent of New Zealand's gross domestic greenhouse gas emissions. This cost needs to be contributed to by road users.
41. If all externalities considered are charged through the RUC, then vehicles that do currently pay some costs towards externalities through the Fuel Excise Duty (FED) should have reduced charges related to what is included in FED (as currently stands).
42. ***Question 6: Would charges for externalities be in addition to the current form of RUC, and potentially used to address the externalities directly, or be a core part of total land transport revenue?***
43. **RESPONSE:**
44. If charges for externalities are charged through the RUC this could be in addition to the current form of RUC but then allocated to a fund to address the externality directly.

45. Revenue raised from a basic charge should be used for improving road safety, increasing public transport infrastructure, road maintenance, and improve use of low carbon, recycled materials used on roads.
46. An emissions charge should be charged for high carbon vehicles and funds recovered go towards emissions reductions, improved public transport infrastructure and services, electric vehicle infrastructure and health related issues.
47. If high carbon fuel vehicles are not charged a climate and health related cost through the RUC, then another charge system must be put in place. We believe increasing and adding fuel tax is an important option to explore.

48. *Question 7: How would vehicles not paying RUC be affected?*

49. RESPONSE:

50. Light Electric Vehicles (EV) (mainly cars) are currently exempt from paying RUC until 31 March 2024 and heavy EVs (trucks and buses) are exempt until the end of 2025 as part of existing measures to encourage people to buy and use them.
51. Low emission vehicles should not be permanently exempt from RUC but should not be charged any extra emission related fee as suggested above.
52. Exemptions or discounts for low emissions vehicles should not be permanent, as all road users should contribute to a basic fee. Discounts/exemptions should continue to be placed as incentives to encourage use to the point where either uptake reaches climate related targets, or it is understood that as an incentive this is ineffective.
53. Hybrid diesel cars should be classed as and charged as diesel. A person may own a car but hardly ever drive it, however the charge is by vehicle ownership and not the amount of road use. Therefore, a car that may be occasionally used as a petrol or diesel car should be charged as one. An advantage of charging a tax on fuel would resolve this issue.

54. *Question 8: What are the advantages and disadvantages involved in changing the purpose of the RUC Act so that climate policy generally, or greenhouse gas emissions specifically, can be considered when setting RUC rates?*

55. RESPONSE:

56. An advantage of changing the purpose of the RUC Act so that climate policy and greenhouse gas emissions can be considered when setting RUC rates, is that this will go some way to assist with equity issues around cleaner fuels and technologies that we are currently faced with when responding to climate change.
57. As outlined in the consultation document, vehicles powered by low-carbon fuels are currently more expensive than their fossil-fuelled counterparts. This means that people on lower incomes are less able to afford the cleaner technologies.
58. Those on lower incomes sometimes work more irregular hours or shift work, when public transport is not operating, or it is less safe and enjoyable to walk/cycle to places of work. Therefore, it could be argued that those on lower incomes who rely most on their vehicles currently, are less able to shift from this mode of transport to public transport or an active mode. Further research and data would be needed to support this.
59. At present this means that portions of our society on a lower income are possibly excluded from participating in the transition to a low carbon future (when it comes to vehicle choice).