Changes to the Road User Charges (RUC)

Submission from Spokes Canterbury, www.spokes.org.nz

Advantage is increased RUD revenue, but the disadvantage is increased compliance and administration cost. It's worth thinking about - while we think of this class as mainly ATVs and motorcycles at present, there could be further development in the future, e.g. golf cart type vehicles used on the roads as light cars or light delivery vehicles. So questions 38-40 need consideration.

Question 41: What are the advantages and disadvantages of using distance-based rather than time-based exemptions to RUC for Evs?
The advantage is in clearly signalling the transition to full RUD contribution.

Question 44: What are the advantages and disadvantages of removing the requirements to display a physical RUC label?
The advantage is in reducing costs, and allowing electronic or automated purchase of RUC licences. For heavy vehicles this could be linked to adoption of eRUC.

About Spokes Canterbury

Spokes Canterbury (http://www.spokes.org.nz/) is a local cycling advocacy group with approximately 1,200 members and is affiliated with the national Cycling Action Network (CAN – https://can.org.nz/). Spokes is dedicated to including cycling as an everyday form of transport in the greater Christchurch area.

SUBMISSION

TO: Te Manatu Waka Ministry of Transport
ON: Driving Change: reviewing the Road User Charges System

The Crane Association of New Zealand (CANZ) is the peak body of the crane industry in New Zealand, having been established in 1975 for the purposed of representing the interests of crane company owners.

That purpose still drives the association's focus today and CANZ is the recognised voice of the New Zealand crane industry.

CANZ represents a wide variety of crane related companies, all of them road users. We also represent many associate members who are in affiliate or related industries (i.e. training, manufacturer, parts/servicing, corporate services).

Members of the association is at a company level and most crane companies in New Zealand are family businesses.

CANZ has reviewed the contents of the RUC Consultation review in detail. Most of our members are also members of other transport industry groups such as Road Transport Forum, Heavy Haulage Association, National Road Carriers and Transporting New Zealand.

As such, the Crane Association acknowledges their submissions on behalf of members and has elected to comment on the questions directly relating to Mobile and All terrain Cranes.

The Ministry have asked three distinct questions in relation to Cranes,

1. *With the ready availability of eRUC, effectively all vehicles can now be fitted with a distance recorder and the situation of not being able to fit a distance recorder for the purposes of RUC collection is no longer relevant. We propose to remove mobile cranes from the list of exempt vehicles. This will clarify that all mobile cranes should pay RUC on the same basis as other road users.*

   Question: *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?*

CANZ Response:

CANZ is in an agreeance with the availability of eRuc, all vehicles can now be fitted with a distance recorder and can be removed from the exemption list of exempt vehicles. The current exemption creates confusion for members and inconsistency.

While eRuc systems are now available, CANZ members still need the additional option of using other types of distance recording devices such as odometers or hubometers. This is to ensure cranes that are operated in limited capacity on the road are not burdened and required to maintain additional cost for eRuc devices. As an example, many smaller cranes operate on industrial or large infrastructure sites for many months or years without needing access to the road network.

eRuc devices also record on distance travelled via GPS, many cranes travel from site to site on transporters and not driven directly on the road. In these instances, eRuc devices will still record the distance travel. Fitment of an eRuc in these situations would be expensive and unnecessary.

2. *It is also proposed to update the definition of 'All Terrain Crane' in the interpretation section of the Road User Charges Regulations 2012.36 This would replace the current wording of 'a tyre contact area of more than 1,500 cm2 per tyre' with 'single large or single mega tyred axles'. This will simplify the classification of all terrain cranes as a definition based on contact area is difficult to measure in practice.*

   Question: *It is also proposed to update the definition of 'All Terrain Crane' in the interpretation section of the Road User Charges Regulations 2012.36 This would replace the current wording of 'a tyre contact area of more than 1,500 cm2 per tyre' with 'single large or single mega tyred axles'. This will simplify the classification of all terrain cranes as a definition based on contact area is difficult to measure in practice.*

CANZ Response:

CANZ welcomes the definition change for "All Terrain Crane" in the Road User Charges Regulations with "single large or single mega tyres axles" this would assist with clarity for members and NZTA Agents when purchasing RUC. Currently the system is not clear, and confusion occurs when registering cranes and purchasing RUC.

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

CANZ Response:

Purchasing of RUC under the current definitions is confusing and causes delays in purchase times. There is a lack of awareness within the NZTA Agents of how a crane is to purchase RUCs. Frustration and incorrect purchases can result in errors causing unpaid or over payment of RUCs.

Care is needed to discuss any proposed changes with industry prior to introduction.

Sarah Toase, CEO
Crane Association of New Zealand | ceo@cranes.org.nz

Submission on the

review of the road user charges system

Email: office@ruralcontractors.org.nz
Web: www.ruralcontractors.org.nz

SUBMISSION on the review of the road user charges system

1. The Association

1.1. Rural Contractors New Zealand is an incorporated society registered under the Incorporated Societies Act 1908 in April 1996.

1.2. Its current membership of 681 is made up of: **646**

1.2.1. Full members (those providing contracting services to the rural sector) **588**

1.2.2. Associate members (companies providing goods and services to rural contractors) **42**

1.2.3. Social and Life Members **16**

1.3. It is the only national association representing the rural contracting sector in New Zealand.

1.4. Its members provide a wide range of service to the agricultural sector covering:

Aeriation	Baling/Balage/Hay	Cartage
Cultivation	Direct Drilling	Drilling
Earth Moving	Farm Drainage	Fencing
Fertilising	Forage Harvesting (Silage)	Forestry & Logging
Grain & Seed harvesting	Hedge & Shelter Cut	Horticulture
Land Clearing & Development	Mowing	Mulching
Park & Reserve Maintenance	Ploughing	Precision Planting
Root Raking	Spraying–Aerial	Spraying–Aquatic
Spraying–Broadacre	Spraying–Brush Weed Control	
Spraying External Parasites/Sheep Dipping		Spraying–Total Vegetation
Track Maintenance	Viticulture	Windrowing

2. The Rural Contracting Industry profile

2.1. The industry is a vital component of the agricultural sector on which the Government is relying to drive the economic recovery of New Zealand.

2.2. RCNZ contribution 2021 - ~2.50 billion NZD

2.3. Employees = ~5,000 FTE

2.4. The industry uses a wide range of vehicles including utilities, station wagons, medium and heavy trucks, trailers and a large assortment of specialist agricultural machinery either self propelled or towed. These include tractors, combine harvesters, forage havesters, spray trucks, telehandlers and machinery used for specific applications in horticulture, viticulture and agriculture.

2.5. The nature of the industry is that most of the usage of these vehicles is off road. The size of the machinery and the usage means that the machinery while being as fuel efficient as the manufacturers can make them, do consume large amounts of diesel.

2.6. Rural contractors live rurally and have varying connectivity to internet

Introduction to submission

RCNZ is no stranger to submission on transport matters and submitted its views to proposed changes to RUC in 2011. It has been a constant member of the Ag Transport forum for over a decade and routinely engaged in consultation and submissions on road licensing, vehicle signage, weight and oversize matters where its members interest were served.

RCNZ wishes to acknowledge the Ministry and its agency Waka Kotahi for hosting workshops on the subject. These were very thorough and provided us a better context of the proposed changes and a very thorough understanding of the wider industry responses. For the sake of clarity and coherence we will work through our response along the same lines as the workshop.

WORKSHOP 1.

1. E RUC – proposed mandate.

1.1 The workshop consensus views was an E RUC mandate disadvantaged too many road users to be mandated at the current time. It is more expensive than the paper based system. Far too many vehicles owned by rural contractors and farmers that do not travel many kilometres per year would need to be fitted out with E RUC systems; these vehicles will have little or no usage for some months each year which still has a monthly cost. New Zealand's patchy rural internet coverage and tech capability does not lend itself to a mandate. It was further noted the survey conducted by the National Road Carriers Association returned a 73% NO to e RUC mandate. RCNZ does not support a E RUC mandate

1.2 **RCNZ further notes comments on the parameters of the problem a mandate seeks to address i.e. ~50% of heavy vehicle revenue is collected from E RUC but only a ¼ of eligible heavy vehicles are fitted with e RUC.** The problem in and of itself is how to capture the balance of revenue. Industry did not think E RUC was an easy option. It is expensive for heavy vehicles that do not travel many Kilometres each year. Industry is of the view that from a date to be agreed in the future new vehicles might be fitted with the appropriate technology. It did not seem to industry the gap in collection capability was non- compliance driven and sought a transition solution where the RUC act caught up with technology, cost effective options in market and new fleet.

1.3 It was noted industry supported the government working with telematics companies to tailor lower spec, incentivised and cost-effective options as one step to transitioning to a wider uptake of E RUC.

2. **Telematics; ERUC, hours, speed and data privacy**

2.1 The workshop contemplated the questions posed by the consultation on how ERUC might be used to capture hours, speed and observe privacy.

2.2 Industry was firmly of the view that hours and speed was not in the scope of ERUC. There were other and better apps out there to cover e log books and in one workshop attendees views there were enough on 'cops in vehicle 24/7' to not warrant using ERUC in this manner.

2.3 Industry acknowledged the collection of data could be helpful where it was anonymised and used accordingly.

2.4 Industry again sought to identify the lowest spec technical requirements for ERUC and if it was agreed in time to add more data to manage safety for example, it could only be mandated where the price point and desire of manufacturer and market met.

2.5 Industry was not convinced the E RUC consultation was a major contribution to the 'road to zero' project

2.6 Industry maintained the RUC is for roads, the intent being to apply a fair charge for road use. RUC is a collection mechanism and best kept simply for that purpose. It was not designed as a change behaviour model.

2.7 **RCNZ is in agreement with these points of view and supports RUC in its current form as a good road user charges model. *Rural contractors want to make it abundantly clear that they do not want to have extra costs involved in purchasing E RUC Licences. Also we strongly oppose any suggestion that information gathered from ESPs be used for compliance, safety and productivity*.**

3. Compliance and the role of the Electronic Service Provider (ESP)

3.1 The workshop contemplated how the ESPs could contribute to better compliance and collection.

3.2 ESPs felt strongly that they would not occupy a compliance role. Whilst they were an agency for Waka Kotahi, they also serviced a customer and obligations to both had to be managed and sustained.

3.3. ESPs questioned how any contemplated compliance role would be extended to all agents for RUC (not just ERUC) and further, under the current Act, ESPs were on the hook for default debt of users and that is a strong incentive for their holistic management of their customers (not focussing on the small element that RUC constitutes.

3.4 . RCNZ supports the ESP position in the context of their continuing to manage their customers, our members, without assuming a compliance officer surrogate role for Waka Kotahi

4. WORKSHOP 2

4. 1 Workshop 2 sought views on weight band changes, mobile crane changes, how the agency could be more flexible and efficient in administering the overweight vehicle regime, and unpaid RUC.

4.2 Industry was consulted on the changes contemplated for 8 axle tonnage, adding additional weight bands over 46 tonne up to 50 tonne.

4.3. The changes brought no comment from industry. The very specific nature of the changes precluded the vast majority of agricultural vehicles and those within scope would not be adversely affected by the proposed changes.

4.4 Overweight management.

4.5 The proposal sought views from industry on managing 'overweight' compliance. It was freely acknowledged the current regime was inflexible.

4.6. The general consensus of industry was that roads and not vehicles should be permitted. Right road right truck was an outcome supported by industry which also supported those not complying with that type of regime should be heavily penalised.

4.7 Industry lobbied for more widespread adoption of the WIM regime first proven in 1999. More weighbridges with this capacity would create an immediate uptick in compliance. The view was this was not a question for industry to solve because the answer was evident in WIM.

4.8. Industry also noted the time taken to apply for an H class permit was overly long and need to be thought through

5. **RUC rate change covering in arrears settlement, keeping of records, access to records, and agency decision review.**

5.1 The workshop considered whether in arrears payments ought to be made at the current rate or take into consideration the historical rate at the time. Overwhelmingly industry favoured the use of the rate that applied and that the assessment be made only on the overloaded component of the license, not the whole license. Industry were clear that the vast majority of infringements would not be out and out cheating the scheme and using the historical rate on the overloaded component was a far fairer penalty than the grossly overstated whole of license approach. Industry also sought feedback from the agency on the fact that it can take so long for a compliance officer to get around to investigating and issuing an infringement whereas it should be more efficient and the penalty doesn't accumulate as it does now, over time.

5.2. RCNZ supports industry feedback on this matter.

5.3 There is a requirement to make and keep records. There was a discussion about moving to weight not volume. As the Road Carriers Association pointed out, customers get charged by lift, by carton by carcass and there are no customer weight based records, Industry were of the view record keeping was a waste of time, when more available WIM technology could improve overweight compliance.

5.4. RCNZ endorses industry feedback on this matter particularly where agricultural loads are not solely weight based.

5.5. Access to third party records was discussed an industry were not supportive, In its view, this would only add to compliance costs, and be of no discernible value where the operator and the third party would only argue about whose record was correct.

6. WORKSHOP 3.

6. 1. The majority of workshop 3 discussion was not central to any concerns of Rural Contractors, with the one exception being the proposed RUC exemption for agricultural vehicles travelling on public roads for repair or certification.

6.2. RCNZ supports the exemption on the basis the current system is cumbersome; the RUC purchased is often not utilised resulting in a refund. All of this is administration time for the user and agency and the proposed exemption is supported.

6.3. It is not clear how the exemption requested of the Director of Land Transport would work and we look forward to understanding how that application process and estimated processing time.

6.4. Though not central to Rural Contractors, we support in principal two other matters tabled in the workshop 1) a staged transition to a label-less RUC and potentially to the requirement to display registration for all vehicles, 2) the proposal to enable smaller RUC purchases.

7. Summary remarks.

7.1 RCNZ is grateful for the opportunity to make this submission. In closing, we wish to reiterate RUC is for roads. We support industry's strong views, re-emphasised at many points in the workshops that RUC is not the instrument through which to collect revenue for congestion and emissions.

Andrew Olsen
Chief Executive
22 April 2022.

From: s 9(2)(a)
Sent: Friday, 22 April 2022 4:26 pm
To: RUC Consultation 22 <RUCConsultation22@transport.govt.nz>
s 9(2)(a)
Subject: Scania NZ RUC submission Reviewing the Road user charge document

Attention: RUC consultation committee.

RE; Reviewing the Road User Charge document

As Scania New Zealand will lead the shift on full Heavy BEV Electric Trucks GVW 15ton< our view in brief is as following ,

- **RUC –exempt heavy 100 % Electric BEV / PHEV with an extension request from 2025 to 2030 16 tons GVW > to 60 tons'**
    - This will increase and accelerate uptake at speed .
- **RUC -exempt Electric defined heavy " E trailers" Electric Defined Trailers** with i.e. regenerative and or tractive axles so i.e. he whole combination where possible in combination with electric operated super structure.
    - i.e. refrigerated " chiller" reefers, side loaders with electric PTO, electric temperature controlled Curtainsider, electric Tippers, electric tail lift, electric car transport trailers, FENZ aerial equipment, ladders , Hiab type cranes .
        - *Note You don't want to end up with smart E trucks rigid or tractor combined with dumb trailers with diesel driven equipment , this makes no sense from a vehicle definition and energy efficiency conservation point of view*
- ERUC's should be encouraged but not Mandated.
    - Have alternative technology options i.e. Tachograph.
- Simplify the overweight permitting regime i.e.
- Simplify RUCs on he whole
- RUC incentives on uptake of future 60 MAX over current 50 MAX to reduce CO 2 as to increase fre ght efficiency and reduce truck/ trailer density in New Zealand

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

  You could make this simpler by setting a standard RUC for 50 Max based on 8 axles or 9 axles , 9-10 axles to 54-60 Tonne .
- Euro 6 up to 2026 to have RUC incentive over Euro 5 +/- 10 %
- Euro 7 when coming 2030 should attract strong RUC incentive reduction.
- Renewable Diesel , companies which use 100 % Renewable Diesel = should have greater RUC exemption approx. +/- 80 % of current RUC charges to offset premium fuel costs.

- Must have proof of renewable diesel = CO2 clean and Certified at source i.e. NESTE renewable diesel
- Removing the requirement to display physical vehicle licence ('rego & ruc) labels?
  - Either use transparent QR codes or remove all labels
  - This is a road safety matter , to many labels obscure vision in the A Pillar , just do it via an electronic portal / app related to the REGO
- Remove the wording " Partly"
- Simplify whole RUC process where possible
- Provision for multiple RUC depending on weight bands in HPMV or TAX the diesel to encourage fuel efficiency .

Please note that a generic submission is made by the MIA covering the whole motor industry.

Yours Sincerely

s 9(2)(a)

12 Bennett Street Palmerston North, New Zealand
Palmerston North 4442
s 9(2)(a)

www.scania.co.nz | www.facebook.com/ScaniaNewZealand | www.instagram.com/scanianz

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Infrastructure New Zealand

Crombie Lockwood Tower
Level 16, 191 Queen Street
PO Box 7244
Victoria Street West
Auckland 1142
New Zealand

Phone: +64 9 377 5570
Email: office@infrastructure.org.nz

Submission to the Ministry of Transport on its discussion document *Driving Change: Reviewing the Road User Charges System*

20 April 2022

Infrastructure New Zealand

Crombie Lockwood Tower
Level 16, 191 Queen Street
PO Box 7244
Victoria Street West
Auckland 1142
New Zealand

Phone: +64 9 377 5570
Email: office@infrastructure.org.nz

1. Introduction

1.1 Infrastructure New Zealand welcomes this opportunity to make a submission on the Ministry of Transport's consultation on possible changes to the Road User Charges (**RUC**).

1.2 This is Infrastructure New Zealand's submission on the discussion document titled *Driving Change: Reviewing the Road User Charges System*.

1.3 This submission focuses on the strategic and technical aspects of RUC and so does not focus on operational policy matters, e.g. requirements around displaying an RUC licence.

1.4 If you have questions or queries, please feel free to contact me – Claire Edmondson, Chief Executive – at claire.edmondson@infrastructure.org.nz.

About Infrastructure New Zealand

1.5 Infrastructure New Zealand is New Zealand's leading infrastructure member association and the leading advocate for New Zealand's infrastructure sector. We promote best practice in national infrastructure development through research, advocacy and public and private sector collaboration. Our members come from diverse sectors across New Zealand and include infrastructure service providers, investors and operators.

General comments

1.6 While this submission does not comment on aspects regarding operations, Infrastructure New Zealand supports changes that will make the RUC system more efficient, easier to administer and easier for motorists in terms of compliance.

1.7 This consultation provides an opportunity to pause and consider whether the approach to prioritising and allocating funds from the National Land Transport Fund (**NLTF**) to the National Land Transport Programme remains fit for purpose and demonstrates value for money. We will rely on other submitters to comment on the appropriateness of the Investment Prioritisation Method in terms of delivering the best value for money.

1.8 This consultation has come at a time of increased volatility in fuel prices, made worse by Russia's invasion of Ukraine. The seriousness of the issue has already resulted in a rare move from the Government to reduce the petrol excise duty by 25 cents per litre for the three months starting 15 March. The Government has also reduced the RUC by 36 percent across all legislated rates from late April till late July 2022, that is, for RUC purchased from late April. It is important to note that the reductions do not seek to

change behaviour (to increase motor vehicle use) but to provide some relief to motorists in light of highly volatile fuel prices and a cost-of-living crisis.

1.9 The RUC is a distance-based charge, that is, the higher the distance travelled, the more RUC that needs to be purchased. This may seem straightforward and reasonable at first, however, a distance-based charge assumes the choice to drive is relatively elastic. This is not the case in practice. Not all New Zealanders have access to adequate and rapid/frequent public transport and/or public transport infrastructure, e.g. at capacity park and ride facilities.

1.10 There is sufficient evidence showing that lower income households are often forced to live further away from city centres and/or where they work. For these households, a distance-based charge has even more financial implications given private vehicle use may have characteristics of inelastic demand, i.e. these households are unable to easily switch to another mode easily. Infrastructure New Zealand is disappointed the discussion document does not consider this equity issue.

2. Context

2.1 Infrastructure New Zealand's position is that all vehicles using roads should contribute towards their funding, maintenance, repairs and upgrade. This includes electric vehicles (**EVs**).

2.2 Infrastructure New Zealand submits that RUCs should be introduced on all powered (non-petrol) and unpowered vehicles, based primarily on weight. This will result in EVs contributing towards the land transport system, too, even though the amount contributed by an EV is likely to be a small amount.

2.3 We note that light EVs are currently exempt from paying RUC until 31 March 2024 and heavy EVs are exempt until the end of 2025. The recent fuel price volatility has seen a rapid increase in sales of hybrid and electric vehicles. Besides this fuel price volatility, the uptake of EVs is steadily increasing as more vehicle brands are offering EVs and as pricing becomes more competitive. EVs also provide significant cost savings in the long run. The market dynamics have changed so much that we are not convinced by the suggestion that the removal of subsidies – such as not charging RUC – would any longer have an impact on EV sales.

2.4 We do not believe there is a need for a slow phasing in of RUC for EVs either. A full, immediate introduction is appropriate, especially in light of other fiscal policy measures such as the Government's Clean Car Discount scheme.

2.5 Infrastructure New Zealand is nonetheless not opposed to the use of RUC exemptions to vehicles using newer low-carbon fuels such as hydrogen as a stop-gap measure given their purchasing and operating costs are currently likely to be much higher.

3. Use of RUC

3.1 The revenue collected from RUC is currently dedicated to the NLTF. The NLTF in turn funds the building, maintenance and operation of our land transport system, which includes public transport, road safety, and walking and cycling infrastructure.

3.2 We submit that RUC should continue to be collected and used for this purpose only. We do not believe RUC is the appropriate mechanism to be accounting for externalities. We accordingly do not support using RUC to charge motorists for externalities such as air or water pollution or accidents.

3.3 The consultation document states that "*managing externalities through pricing could be a fairer way to allocate costs and benefits of transport options and it could be used to influence travel or purchasing decisions*". This comment is likely to generate significant debate. Firstly, negative environmental externalities are already being managed through pricing via the Emissions Trading Scheme component which is applied to all fuels. Similarly, road accidents are already being addressed by the Accident Compensation Corporation scheme. We are therefore concerned the discussion document is considering adding further externality charges to the RUC. We are also concerned that the discussion document ignores the potential 'double-dipping' and 'over-recovery' that is likely to occur.

3.4 Secondly, the statement is likely to generate a submission point from other submitters that positive externalities should also then be rewarded, e.g. freight trucks directly contributing to economic growth and the gross domestic product. And, at the same time, other submitters may state that cyclists should then pay their fair share as well.

3.5 The discussion document suggests that managing negative environmental externalities through pricing could change behaviour. We are not convinced the introduction of a further externality charge would necessarily change behaviour, especially where that charge is "priced" into the RUC. The Emissions Trading Scheme component/levy has been "priced" into fuel prices and has not necessarily changed behaviour. Any further added cost would simply become a revenue generating scheme. The Auckland Regional Fuel Tax is another example where the extra fuel tax has been absorbed by motorists as part of the fuel price and has not necessarily changed behaviour. While this regional fuel tax was not geared to change behaviour, the fact remains that managing externalities through pricing that is lumped onto the RUC is highly unlikely to change behaviour.

3.6 It is for this primary reason that Infrastructure New Zealand does not support the consideration of including congestion charging (presumably as a surrogate of a congestion charge) into RUC either. Further, we are disappointed the discussion document appears to have little to no regard for the extensive work that has already been undertaken regarding the case for introducing congestion charging/road pricing in Auckland through *The Congestion Question* project, which the Ministry of Transport and Waka Kotahi NZ Transport Agency have both been involved in. The discussion document also falls short of taking into consideration the Transport and Infrastructure

Select Committee inquiry on congestion pricing in Auckland which, amongst others, recommended that the Government progress legislation to enable New Zealand cities to use congestion pricing as a tool in transport planning.

3.7 Infrastructure New Zealand submits that changes to the RUC system must:

- take into account other related work programmes
- ensure that 'double-dipping' or 'over-recovery' is avoided.

4. Conclusion

4.1 Infrastructure New Zealand thanks the Ministry of Transport for the opportunity to submit on its discussion document.

4.2 The discussion document notes that should Ministers decide to make changes following this consultation process, there will likely be several packages of amendments to the RUC system (regulations and changes to the Road User Charges Act 2012). We look forward to continuing to engage with the Ministry on changes to the RUC system.

s 9(2)(a)

Claire Edmondson
Chief Executive
Infrastructure New Zealand

Submission of Taituarā to the Ministry of Transport regarding the discussion document *Driving Change: Reviewing the Road User Charges System*

What is Taituarā?

Taituarā – Local Government Professionals Aotearoa thanks the Ministry of Transport (the Ministry) for the opportunity to submit on the discussion document *Driving Change: Reviewing the Road User Charges System* (*Driving Change*).

Taituarā is an incorporated society of 943 members[1] drawn from local government Chief Executives, senior managers, and council staff with significant policy or operational responsibilities. We are an apolitical organisation. Our contribution lies in our wealth of knowledge of the local government sector and of the technical, practical, and managerial implications of legislation.

Our vision is:

> *Professional local government management, leading staff and enabling communities to shape their future.*

Our primary role is to help local authorities perform their roles and responsibilities as effectively and efficiently as possible. We have an interest in all aspects of the management of local authorities from the provision of advice to elected members, to the planning and delivery of services, to the less glamorous but equally important supporting activities such as election management and the collection of rates.

Taituarā supports the proposals as an intermediate step to road pricing

The local government sector has a many and varied ser of interests in land transport. The sector owns over 85 percent of the road network by length including the key

[1] As of 31 December 2021

arterials that connect the State Highway network to roads that serve primarily as property network The sector is a funding partner in roads and urban passenger transport. A functional land transport network is critical to sustainable urban form and (as *Driving Change* notes) environmental sustainability. Whether and how the true costs of road use are recovered is a key driver of a functioning land transport system.

We therefore support the proposed changes to the RUC system that are set out in Part One of Driving Change in principle and as a transitional step. These proposals are well founded in conventional microeconomics – that when users are face with the true costs of their demand, they demand only what they value.

We say 'in principle' because although the basic principles are well trod ground (starting with the original land transport pricing study in 1996!) we agree there are operational policy and operational matters that need resolution. We offer our assistance in resolving these matters.

However, the proposals are best regarded as a step along the way to road pricing. The existing RUC regime and fuel taxes will not differentiate a charge by time of day or road travelled. There would be only weak incentives than to avoid travel in congested places and/or at peak times i.e. initiatives such as Auckland's Congestion Question would still be required. And as best we understand even the e-RUC mechanism would not capture the congestion element.

The local government sector has long supported the introduction of efficient pricing principles into the land transport system. As long ago as 1993 the then Local Government Association joined with the Road Transport Association and the Automobile Association to call for the setting of charges based on the true and full costs of road use.

The 1995/6 Land Transport Pricing Study acknowledged that RUC was capturing the costs of damage to the road network itself. But the study noted that there are other effect of road use – these externalities include the environmental effects and safety consequences of road use that were completely uncaptured by the RUC system and may not be captured by fuel excise. As far as we are aware, no real reconsideration of RUC has ever been undertaken in the light of the study's findings.

In redesigning RUC to align with climate change objectives, *Driving Change* is recognising that emissions of greenhouse gases are a significant part of the economic cost of road use. Driving Change itself notes land transport is the fastest growing domestic source of emissions, and that the heavy transport sector makes a contribution to this which is well in excess of the level of travel the sector undertakes.

These proposals therefore give partial effect to recommendations from the Ministry's own draft Emissions Reduction Plan, the original pricing study, and any number of studies and engagements on land transport funding. They also support recommendations from agencies such as the Infrastructure Commission, the Climate Change Commission, and (of course) the local government sector.

These proposals, while welcome, do represent only a first step. *Driving Change* predominantly covers one type of externality (greenhouse gas emissions) from one group of users, albeit one that is expected to increase over the next few years. To get the kind of modal shift necessary to achieve climate change and other goals (such as set out in the Road to Zero), the other externalities need to be built in.

The Ministry expresses some concern about the potential for differential rates of RUC. We agree that this cannot be avoided if the user faces anything like the true costs of their road use, and the more complex its made (for example, recognising differences in fuel type) the more and greater differentials are likely to be. We accept that some degree of 'averaging' is inevitable, but observe that as long as the underpinning rationale is transparent, greater complexity is, in itself not a reason to shy away from this.

The Ministry explored the analytical techniques to estimate safety and environmental externalities in 1996. To the best of our recollection, congestion wasn't dealt with at that time, but has been since. We've submitted in other places that its time to stop kicking the can down the road and commit to road pricing.

RUC policy must integrate with other transport funding and regulatory policy

In several places *Driving Change* expresses concerns that tools such as RUC exemptions and discounts may lead to insufficient revenue being generated for the NLTF. This is a concern that is common to systems that attempt to approximate marginal cost pricing, and is a challenge endemic to infrastructure pricing.

But RUC is a part of a wider funding system. Other infrastructure providers overcome similar challenges with the use of two-tier charging systems: a volume-based charge (i.e. the equivalent of RUC) and a fixed charge (often in the form of a connection charge either as a 'one-ff' or as a fee per month).

There is an equivalent in the land transport system. The motor vehicle registration fee is an annual charge which is, broadly speaking, a charge that entitles the vehicle to access the road network. The registration fee should be recalibrated as part of the reset of the RUC regime.

In a similar vein, *Driving Change* proposes the redesign of RUC to better capture environmental and safety externalities. This principle applies elsewhere in transport policy. For example, the enforcement system has, to date, been seen as separate from funding (other than the road safety programme). Fines for activity such as speeding, driving under the influence of drugs/alcohol could be designed for greater deterrence and with some element of revenue generation in mind.

One peripheral aside. RUC was introduced in part because of concerns that taxation of diesel lead to those using diesel for off-road purposes (e.g. running a farm tractor) were paying for a benefit they did not receive. While arguably true, the principle of charging full economic cost applies here also. Diesel users emit greenhouse gases whether on or off road – future diesel of tax on diesel must take account of these costs as well.

The transitional path will be critical

We agree that the direction proposed in Driving Change is such that a fundamental review of the RUC legislation is required. Arguably the incorporation of externalities and the multiplicity of differentials makes this a true charge rather than a form of taxation.

That will require careful legislative design both from a high policy level and the operational level. To take a couple of examples – legislation should probably set out a set of principles or objectives for the RUC system, and a mechanism for regular review of the charges and for setting the charges is some manner that doesn't require legislation.

Taituarā is aware that there are a wide number of competing objectives at play here. In the short-term higher than normal rates of inflation and the pressures on fuel prices may make policy-makers wary of making short-term changes. In the medium design must be cognisant of the changes made to support the take-up of electric vehicles. Transition must be staged – we offer our support for design of the new charging regime.

Transport Certification Australia Limited
ABN 83 113 379 936

Level 6, 333 Queen Street
Me bourne VIC 3000, Australia
T: +61 3 8601 4600
tca.gov.au

22 April 2022

RUC Consultation 2022
Te Manatū Waka - Ministry of Transport
PO Box 3175
Wellington 6140
(emailed to RUCconsultation22@transport.govt.nz)

Dear RUC Consultation team

Re: Driving Change: Reviewing the Road User Charges System

I am writing in response to the Consultation Document entitled *Driving Change: Reviewing the Road User Charges System* that has been released by Te Manatū Waka.

Transport Certification Australia (TCA) is an organisation that provides assurance services relating to transport technologies and data to enable improved public purpose outcomes from road transport. TCA is a subsidiary of Austroads, which is the collective of the Australian and New Zealand transport agencies (Waka Kotahi being the New Zealand member).

TCA is responsible for managing the National Telematics Framework, which was established following a series of decisions made by responsible Ministers. The National Telematics Framework facilitates the use of assured digital technologies and data by linking governments, technology provides and transport operators to public purpose outcomes. The principles of the National Telematics Framework are recognised as an International Standard (ISO 15638) – Framework for collaborative Telematics Applications for Regulated commercial freight Vehicles (TARV).

Other key aspects of the National Telematics Framework that are relevant to the RUC consultation include the following:

- Provides a consistent approach to the assurance of digital technologies and data, which is harmonised across jurisdictions
- Enables government authorities to leverage the framework for their regulatory schemes, with the ability to tailor the level of assurance to meet stakeholder needs
- Supports an open market for service providers (noting that service providers involved with the framework operate in both Australia and New Zealand)
- Uses functional and technical specifications that are performance-based and technology-agnostic, supporting innovative solutions

[redacted]with industry, and a

TCA believes that its learnings from the National Telematics Framework could be a valuable input to Te Manatū Waka. Further, there may possibly be an opportunity for the National Telematics Framework to be leveraged in some capacity to support eRUC in New Zealand in the future.

To support Te Manatū Waka with its review, TCA has provided high-level responses to specific questions within the Consultation Document that are directly relevant to the use of telematics, technologies and data. This is provided in a table appended to this letter.

There would very likely be value in TCA sharing additional details and experiences regarding the National Telematics Framework. While further information can be found on TCA's website (www.tca.gov.au), we would welcome the opportunity for a discussion if that were of interest.

Please do not hesitate to contact me at stuartb@tca.gov.au or +61 (03) 8600 4600 if you have any queries or wish to discuss further.

Yours sincerely

Stuart Ballingall
Executive General Manager
Transport Certification Australia

#	Question	TCA Comments
20	How would phasing-in of eRUC for the heavy vehicle fleet be best accomplished?	TCA's experiences supporting the phasing-in of telematics for regulatory purposes in Australia may provide some learnings. Two key dimensions worth considering are: 1. Incentivise the adoption of telematics systems and services by transport industry by providing benefits (this relates to question 24). In Australia, transport operators have been able to gain improved road access, safety and productivity arrangements through the use of telematics applications and schemes offered through the National Telematics Framework. 2. Reduce barriers to entry for telematics providers to offer services to transport operators (this relates to questions 21, 22 and 24). In Australia, a performance-based approach to functional and technical requirements has encouraged a competitive open market of telematics providers. Competition which is offered through the National Telematics Framework has led to improved products and services being offered to the transport industry, at lower cost.
21	Are the existing requirements for eRUC devices reasonable if the technology was to be made compulsory?	In Australia, a performance-based approach has been adopted to functional and technical requirements for telematics and related technologies. Through the National Telematics Framework, functional and technical requirements (and associated business rules) are developed in conjunction with policy makers and program managers, as well as the technology sector, in the context of desired policy outcomes. This approach accommodates innovation and developments in technology, and ensures an open, competitive market of technology providers. It avoids potential technological lock-ins by government, which can inhibit future reforms. It also ensures the technology market is able to deliver cost-effective products and services in response to government and regulatory need. A key feature of the National Telematics Framework is that it supports a growing catalogue of applications and schemes – which are driven by productivity, safety and compliance objectives. This enables a single telematics system or service to be able to support a variety of different regulatory uses, reducing costs to the transport industry.
22	What alternative technological models should we be exploring for eRUC?	
24	What are the advantages and disadvantages of mandating integrated telematics solutions that could support improved productivity and safety compliance, either as pat of eRUC systems or as standalone devices?	
25	How can privacy concerns be managed if we are going to make greater use of eRUC data?	A core component of the National Telematics Framework, the regulatory framework in which it operates, as well as TCA's role and function, is to ensure there are strong privacy protections. This includes the use of transparent consent mechanisms for the collection and use of data. TCA's experiences with administering regulatory schemes within the National Telematics Framework, particularly where there is an ongoing need to manage personally identifiable and sensitive data in a way that maintains trust with industry, are directly applicable to contemporary RUC systems such as what New Zealand is considering.
36	What safeguards would we need to ensure that only trailers towed by exempted vehicles were to be exempted.	TCA has experience administering monitoring schemes that involve the declaration and exchange of truck configuration data. Further, TCA is undertaking a trial this year that involves technologies that transit trailer identification data. These experiences may be of value when considering this question.
42	What changes should be made to section 12 of the RUC Act to improve the overweight permit regime?	Smart On-Board Mass (OBM) systems are now operational through the National Telematics Framework and are being used to improve the management of mass/weight loadings for regulatory purposes. TCA type-approves Smart OBM systems, paired with approved telematics systems, for use by Australian road managers and regulators to improve the management of overweight vehicles in a cost-effective way. Technologies used for Smart OBM can include Electronic Braking Systems (EBS), which overcomes the need for OBM systems to be retrofitted to contemporary prime movers and trailers. Further information about Smart OBM is available here: https://tca.gov.au/smart-obm-systems/
43	How would other potential changes in this discussion document, such as greater use of eRUC, assist in the overweight permitting process?	
74	What are the advantages and disadvantages of requiring vehicle operators to retain weight-based records?	

Ia Ara Aotearoa Transporting New Zealand

submission to

Te Manatū Waka (Ministry of Transport)

on

Driving Change: Reviewing the Road User Charges System.

RUCConsultation22@transport.govt.nz

Ia Ara Aotearoa Transporting New Zealand
PO Box 1778
Wellington
Ph: (04) 472 3877
Contact: Nick Leggett CEO

April 2022

Ia Ara Aotearoa Transporting New Zealand submission on Te Manatū Waka (Ministry of Transport) Discussion Document on Driving Change: Reviewing the Road User Charges System

1. Representation

1.1 Ia Ara Aotearoa Transporting New Zealand (Transporting New Zealand) is made up of several regional trucking associations for which Transporting New Zealand provides unified national representation. It is the peak body and authoritative voice of New Zealand's road freight transport industry which employs 32,868 people (2.0% of the workforce), and has a gross annual turnover in the order of $6 billion.

1.2 Transporting New Zealand members are predominately involved in the operation of commercial freight transport services, both urban and inter-regional. These services are entirely based on the deployment of trucks both as single units for urban delivery and as multi-unit combinations that may have one or more trailers supporting rural or inter-regional transport

1.3 According to Ministry of Transport (MOT) research (National Freight Demands Study 2018) road freight transport accounts for 93% of the total tonnage of freight moved in New Zealand

2. Introduction

2.1 Transporting New Zealand provides sector leadership and believes we all need to operate in an environment where the following must be managed and co-exist:

- The safety and wellbeing of our drivers and other road users, our drivers are our most valuable asset
- The impacts of transport on our environment
- The transport of goods by road is economically feasible and viable and it contributes the best way it can to benefit our economy.

2.2 Transporting New Zealand is well regarded as having a good understanding of the road user charges (RUC) regime and the related policy intent. We have also been closely involved in changes to RUC since its inception.

2.3 In essence, the RUC model is a vehicle mass and distance-based calculation. It works well because there is a relatively good correlation between axle mass and pavement and infrastructure consumption. As a consequence, using engineering models to calculate heavy vehicle RUC liability for the different types of heavy vehicles is a sensible and rational approach, whereas incorporating attributes that do not have a correlation with mass and distance is irrational.

2.4 Transporting New Zealand welcomes the opportunity to comment on the MOT Discussion Document: Driving Change, Reviewing the Road User Charges System (the discussion document). Our comments will be confined to specific aspects or topic areas of the discussion largely, particularly the policy options that

we believe will impact the commercial freight sector and general operation of heavy transport service licenced (TSL) freight vehicles.

3. Our position principles

3.1 Generally, Transporting New Zealand believes in a user pays approach. Those vehicles that create more pavement wear should pay more for maintaining the road.

3.2 Transporting New Zealand strongly supports the principle that funds paid by road users through RUC, fuel excise, and vehicle registration fees should be used predominantly to pay for road construction and maintenance and Police Commercial Vehicle Safety Team (CVST) enforcement.

3.3 The National Land Transport Fund (NLTF) should be ring-fenced for roading projects and paying low-level subsidies of public transport operating costs. Decisions on road funding should be decided by rigorous cost-benefit analysis using well-accepted methodologies. This is the only way to maintain the integrity of the NLTF and keep 'mode neutrality' between road, rail and shipping.

3.4 Heavy vehicle RUC liability is determined through the cost allocation model (CAM). This is underpinned by engineering models to ascertain the pavement and infrastructure consumption caused by different types of heavy vehicles. Notwithstanding, the road freight industry in some cases and in respect of certain vehicle types, pays more in RUC than its impact on the roads. Transporting New Zealand is concerned that over the past several years, Government policy objectives have watered down the purity of determining the appropriate level of cost attribution of the different vehicle types.

3.5 Transporting New Zealand acknowledges there are some downsides associated with the movement of freight, for example, congestion, pollution, CO_2 emissions, and road safety trauma. We agree with the need to manage the costs of transport related externalities. i.e. the costs should be internalised.

3.6 Transporting New Zealand urges Government not to let its management of externalities trump our aspiration for a thriving economy and the social and economic benefits that can bring, and we also urge Government to manage those externality costs in a fair and transparent manner.

4. Strategic level response to the discussion document

4.1 Transporting New Zealand is generally concerned at a lack of strategic policy thinking presented by MOT in the discussion document. MOT appears to have jumped to a solution before fully considering the issues and problems. Section 1.2 of the Introduction refers, "There is a growing interest in using the RUC system to also capture some of those other costs, or to offset the higher costs faced by some emerging technologies, ahead of their widespread adoption". We contend that normal market forces should drive the rate of uptake of emerging technologies. The benefits of the new technology should justify their uptake and RUC should not become an avenue to promote Government policies and whims.

4.2 At a strategic policy level, Transporting New Zealand strongly opposes the idea of using the RUC system to include other externalities because:

- There is not a strong correlation between Greenhouse Gas Emissions (GHG) and truck mass (weight). Factors such as engine technology, duty cycle, and operating environment have significant impacts on fuel consumption. For example a 26 tonne truck delivering concrete to a city construction site could have the same, or worse, fuel consumption than a 50 tonne truck and trailer moving livestock between a farm and a processing plant. Therefore, adding cost recovery of other externalities to a mass distance charging system will unavoidably dilute the integrity of the RUC rates.
- There are already other taxes/levies in place for road transport externalities. For example, there is the Emissions Trading Scheme (ETS) to manage GHG, and the ACC levy for injuries related to road crashes. Using the RUC system to also recover externality costs risks collecting revenue over and above that due and it follows that misallocation of resources will result.
- Misallocation of RUC revenue will ultimately lead to less money being spent on roads. As a consequence, Waka Kotahi NZ Transport Agency's (Waka Kotahi) current poor reputation for managing spend and delivering capital and maintenance projects will be exacerbated by any further reduction in funding.
- Extending RUC to encompass other externalities will risk that funding being invested for relatively poor return. Government needs to be more transparent and justify its current approach to incentivising new heavy vehicle technology. For example, compared to conventional diesel trucks there is a significant additional capital cost associated with electric trucks and hydrogen trucks. Government's current approach results in only a handful of new technology trucks coming in to New Zealand, so very few people directly benefit and that investment appears grossly disproportionate to the opportunity cost.

4.3 Transporting New Zealand sees an important benefit of the current RUC regime being that it internalises the associated costs, i.e. the money collected is used to maintain the network damage. However, with other externalities that level of connection seems more complex and tenuous. It certainly requires greater explanation. For example, would any levy collected relating to harmful emissions (NOx and PM) go the Ministry of Health and be ring-fenced for addressing respiratory issues caused only by vehicle pollutants?

4.4 We are concerned and disappointed that MOT has not further developed a meaningful position in this area. Section 1.2 of the Discussion Document also refers, "We want to look at whether changes to the legislation are needed to enable our RUC system to adapt to these changes". Regardless of whether we might agree or disagree with MOT, given the development of this large document and the time and effort required from the sector in this consultation phase, our expectation was that MOT would have taken much greater leadership in terms of policy direction and stated a recommended position and some potential viable ways forward. Instead, it does not appear that MOT has undertaken any substantive consideration or development of a rational and strategic approach to managing these transport related externalities.

5. Our approach to responding to the questions

5.1 Transporting New Zealand has generally followed the order of topics set out in the discussion document including responding to the questions applicable to our organisation's policy position. Hopefully this approach will ensure our comments present a cohesive response to the important issues raised in the discussion document. We note some of the questions are quite general and arguably repetitive, so in some cases we have we answered multiple questions with our responses.

5.2 The question references we use refer to numbered questions in the discussion document. Many question explanations are too expansive to import into our submission therefore, we have taken the approach of referring *Response to Question 1,2,3* etc with an abbreviated summary of the question to cover off the response to questions we have aggregated as collectives.

5.3 In other cases, we have used the question text. We note the discussion document includes extensive commentary on many issues and this information is acknowledged as an important component of the policy development. However, we have elected not to comment on all that information and have instead chosen to comment only on the key principles, or questions, we believe are relevant to our members and sector.

6. Responses to the questions

6.1 Questions 1 to 6 inclusive: Expanding the RUC rates to cover other costs

- Transporting New Zealand's position is that RUC should not be weighted with any additional costs to 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. The disadvantages of attempting to include factors that are not mass distance based is the system loses it integrity and resource allocation becomes nonsensical.

- The alternative approach is to either, use systems already set up to manage those externalities such as ETS for GHG, and ACC levies to collect revenue for those respective externalities, or to develop other systems that keep costs and respective recovery relatively transparent.

6.2 Question 7: How would vehicles not paying RUC be affected?

- If, as Transporting New Zealand recommends, the non-pavement related externalities are collected in ways other than RUC, then those costs for vehicles not paying RUC could be captured by another system. This is yet another advantage of not using RUC to capture other externalities.

6.3 Questions 8 to 11 inclusive: Advantages and disadvantages of changing the RUC Act to accommodate emission policy

- For the reasons referred in 6.1, we do not support a change in the RUC Act.

6.4 Question 12: Using the National Land Transport Fund (NLTF) revenue to reduce carbon emissions

- The NLTF should be ring-fenced for roading projects and paying low-level subsidies of public transport operating costs where the latter can be shown to benefit the costs of managing the road network.

6.5 **Questions 13 to 16 inclusive: Including fuel type, origin and blend in RUC rates**

- Transporting New Zealand does not support including fuel type, origin and blend in RUC rates. The discussion document (page 25) refers to a strong correlation between transport emissions and vehicle kilometres travelled. However, we contend this is an over-simplification and fails to appreciate that factors such as engine technology, duty cycle, and operating environment have significant impacts on fuel consumption and consequently emissions.

- Furthermore, the true understanding of the associated costs of respective energy sources is highly problematic. Whether that be land-use for some biofuel feedstocks taking priority over food production, or slave labour in the Congo for mining minerals needed for batteries, we are only starting to understand the real associated costs with externalities of the respective new, and allegedly 'green', energy sources.

- Managing the source of fuels and their availability and specifications is the role and domain of another government department, namely Ministry of Business, Innovation and Employment (MBIE). We believe it should be left to the wholesalers' ethical position to determine and verify resource supply, or the ethical and social impacts of that resource with MBIE oversight given the latter already sets the fuel specifications and has the official fuel specification monitoring role.

6.6 **Questions 18 to 21 inclusive: Mandating eRUC**

- Transporting New Zealand does not support mandating eRUC.

- According to Waka Kotahi about one-quarter of the heavy vehicle fleet provide about half the heavy vehicle RUC revenue and that relationship has been relatively stable for a few years. Therefore, it appears the market has probably reached saturation point for those attracted to an eRUC system.

- Most companies that have elected to go down the eRUC route have done so because of the administrative advantages it offers and with vendors offering additional features such as elog books and driver performance monitoring and reporting (features that are probably not of interest to non-commercial truck operators), so the actual market coverage will possibly be significantly less than anticipated.

- There are a large number of RUC vehicles that are used only intermittently or infrequently and for those owners the cost of the present eRUC models probably cannot be justified. There are also those that still view the government trend to online services with suspicion and eRUC feeds into that perspective as these owners will most likely view the GPS and in-service monitoring and surveillance as invasive.

- Another factor is that the large upfront costs for a sizable fleet are also a discouraging factor, especially where the benefits are not obvious to those fleet managers.

- Transporting New Zealand believes it is unnecessary and unwise to impose a system on three-quarters of the heavy vehicle fleet that to date has seen no need or substantive benefit for that system, and if Government does so there will highly likely be considerable user resistance.

6.7 **Question 22: what alternative technology should be looked at for eRUC**

- There are a number of devices available in the radio frequency identification tag (RFID) market. These devices can be active or passive and can store a range of information. They are more discrete than the present models of eRUC devices and for that reason, are more attractive to range of vehicle owners. There are various options that can be used to add distance to the data sets, which will reduce according to vehicle travel. They can store a wide range of information and include cryptographic security features and can be designed to aid both vehicle identification and tracking and real time location using 3D capability, as well as protection against counterfeiting and data theft. Active RFIDs can use near-field communication to connect to the internet through a secure feature. Transporting New Zealand sees some scope for exploring this technology and assessing its capability for the eRUC vehicle-based platform and topping up distance could be done using a smart phone app. This then raises a question regarding the capability of using a smart phone device with a suitably designed app as the eRUC device itself.

6.8 **Questions 23: The impact on business of mandating eRUC and 26: Using eRUC to improve safety and productivity**

- Aside from the capital outlay and ongoing operational costs, there are also costs related to upskilling staff and downtime while equipment is fitted. It is not possible to quantify these costs without knowing details of the eRUC system that would be fitted.

6.9 **Questions 24 and 26: Using eRUC to improve safety and productivity**

- Transporting New Zealand is concerned that Government is jumping to a conclusion that eRUC would benefit safety however, to the best of Transporting New Zealand's knowledge, that relationship has not been validated. 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.

- Furthermore, fatigue is a complex issue and a major contributing factor in managing the risk of fatigue is the activity undertaken by a driver while not at work. This shows the severe limitations of using vehicle tracking to

manage fatigue.

- Transporting New Zealand is concerned that this appears to be another case where technology providers develop systems primarily for commercial gain and then dupe Government into thinking that their technologies are silver bullets to solving a raft of other problems. Government's idea of mandating a vehicle-based technology will certainly have its challenges and more thought needs to be given to this objective and a full scope analysis should be undertaken by officials before committing to a decision

6.10 **Questions 25 and 27: privacy concerns and access to eRUC data for enforcement**

- This question of privacy is an important one however, we suspect there is no simple answer. Once data is used for the purposes of enforcement and compliance assessment and then as evidence for conviction, its value, at least for the operator, takes on a whole new meaning. When the operator is gathering data for operational management it is somewhat benign, but when used by the authorities it becomes considerably less desirable to collect or meaningfully manage and the worst-case scenario may well result in the data being corrupted, or destroyed, or result in other perverse behaviours. In the end, most information management systems require appropriate security and clearly defined objectives around their application to ensuring compliance. Typically, this suggests the use of various protocols so that the authorities and enforcement agencies do not act beyond the scope of the legislation, or resort to using tactics such as extrapolation to suggest particular behavioural pattern that has yet to occur.

- Notwithstanding, Transporting New Zealand can see a world where an ideally enhanced eRUC model could play an important role in a cooperative compliance system where the parties share a goal for improved compliance through mutually recognised data relationships between the two parties. This relationship could be supplemented by a benefits-based system that would provide the operator with various concessions and operational advantages which, if behaviour falls below the accepted thresholds previously agreed, can be suspended or removed depending on the level of behavioural deterioration and over predefined time frames. The emphasis with all cooperative relationship schemes is to ensure corrective action to remedy poor behaviours before they become embedded and irreversible.

- 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. There appear to be some weighty policy and legal issues to be resolved before these areas could be substantively progressed.

6.11 **Questions 28 to 31 inclusive: Partial RUC for vehicles that pay fuel excise duty (FED)**

- Transporting New Zealand's view is that generally vehicles, regardless of motive power type, should pay RUC for the respective damage they

create on the road network. If the vehicle has motive power that benefits emissions reduction then that value add should be recognised in the ETS.

6.12 **Questions 32 to 34: Extending the heavy EV RUC exemption**

- As 6.11 refers, Transporting New Zealand's view is that generally, vehicles regardless of motive power type should pay RUC for the respective damage they create on the road network.

- While exempting heavy vehicle EVs from their respective RUC obligations beyond the present five-year window may have some appeal, it is questionable whether from a national road funding perspective that is the best thing to do. We have our doubts the heavy vehicle fleet size will grow as suggested (especially where immigration and therefore, consumer demand is limited) and similarly, have doubts the heavy EV fleet component will change dramatically unless there is major breakthrough in battery technology and battery recharging capability with accompanying access to superfast charging points. What is equally interesting is the concept that EVs should be given some sort of special consideration when it is becoming universally acknowledged that the environmental benefits are questionable given the battery constituent resourcing and associated energy demands, and the ongoing exploitation of vulnerable societies to source the primary battery constituents. In summary, in terms of a complete cradle-to-grave basis, heavy EVs are far from being proven a clean or ethical choice for consumers and they only benefit where the electricity is largely produced by renewables.

- The future is clouded with so many uncertainties in terms of propulsion systems, engine and power train manufacturers are being careful not to commit to a single propulsion system design and are exploring improvements by developing fuel agnostic engines. We believe Government's focus on incentivising heavy electric vehicles presents considerable risk and more evidence is required to support continued incentivisation. If that evidence is available, then financial incentives should be delivered by way of the ETS.

6.13 **Questions 35 and 36: exempting trailers from RUC if the powered vehicle is exempt RUC**

- Transporting New Zealand's view is that generally, heavy vehicles regardless of powered, or not, should pay RUC for the respective damage they create on the road network.

6.14 **Questions 37 to 40 inclusive: charging RUC for electric and diesel vehicles less than one tonne mass**

- These questions do not relate to vehicles of predominant interest to our sector however, most transport operators will also have light vehicles. Due to the 4^{th} power law, vehicles of less than one tonne mass contribute relatively insignificantly to pavement wear therefore, we endorse the idea that these light vehicles powered by the range of fuels (refer Table 3, page 39) remain RUC exempt. Petrol is the by far the dominant fuel source for this group of vehicles and is taxed at source, or point of purchase, with the option of recovering the FED tax being claimable for

off-road use. We appreciate that this approach is an administrative burden for both owners and the regulator for what is ostensibly relatively small amounts of money.

6.15 **Question 41: Distance-based RUC vs time-based RUC**

- On the presumption that RUC is applied to low emission vehicles, we agree that for revenue forecasting purposes, a distance-based approach is better than one based on time.

6.16 **Questions 42 and 43: Adjusting the overweight permit regime**

- This is one of the least developed explanations in the discussion document and our view is it should be considered entirely separately from the present review reference material. The discussion document (page 42) refers to this being a complicated area that will require extensive consultation. Transporting New Zealand does not consider it reasonable at this time that MOT expect either of these questions to be answered in a meaningful or substantive way.

- Please accept this as a formal request that Transporting New Zealand is part of future work in this area.

6.17 **Questions 44 to 47 inclusive: Display of RUC licence on light vehicles**

- These questions do not relate to vehicles of predominant interest to our sector however, most transport operators will also have light vehicles.

- Transporting New Zealand suggests that rather than the issue being about displaying, or not displaying, a licence, we believe the focus should be outcome based, i.e. does the operator know whether the vehicle has the appropriate RUC purchased at any given time and can enforcement officers also ascertain that information?

6.18 **Question 48: Purchase of RUC for less than 1,000km increments**

- While we see some merit in this approach, we also see risk that the flexibility is gamified leading to non-compliance and lost revenue. We believe it is appropriate to change the distance increments when technology or operator systems are sufficiently developed to reliably record real-time vehicle weight.

6.19 **Questions 49 to 51 inclusive: Removing the requirement to display other labels**

- In a similar vein to 6.17, Transporting New Zealand suggests that rather than the issue being about displaying, or not displaying, other labels, we believe the focus should be outcome based, i.e. does the operator know whether the vehicle has the appropriate certification at any given time and can enforcement officers also ascertain that information?

6.20 **Question 52: Allowing the use of historical RUC rates for assessments**

- Transporting New Zealand has always supported the use of historical RUC rates for establishing the value of assessments. Assuming Waka Kotahi has an appropriately designed algorithm, the use of historical rates should be an administratively manageable proposition. The difficulties will emerge around the fringes when trying to determine the vehicle distances related to partially consumed licences however, the daily average travel distance could be a suitable proxy and fits in with concept that an assessment is what it is.

6.21 **Questions 53 to 55 inclusive: Transitioning CNG and LPG vehicles into RUC**

- This is not of significant relevance to our sector to warrant comment.

6.22 **Questions 56 and 57: Assisting new RUC payers to commence paying RUC**

- Transporting New Zealand sees this part of the proposal as a business-as-usual action. It is useful that Waka Kotahi acknowledges the need to educate many that are about to be captured by the RUC scheme, but whether this should form part of RUC system review seems strange.

6.23 **Questions 58 to 61 inclusive. Amending the RUC penalties**

- Firstly, the explanation and discussion in this section is well thought out and the quality of the information is appreciated.

- Transporting New Zealand's response is guided largely on how we view the penalty system impacting the freight sector and not how it impacts the private vehicle owner. The quoted section from the Ministry of Justice guidance (page 51) has no reference date and although we agree with the sentiment, particularly that regarding the economic benefit gains by offenders, we not sure increasing the base fine thresholds is the optimal way forward. The best option is to ensure rigour around the assessments and that recoveries of unpaid RUCs, which can be substantial in some cases, are actioned correctly and the "lost funds" recovered accordingly. We are not entirely opposed to some consideration around increasing penalties, but the objectives must be clear and unambiguous with a specific goal in mind.

- Transporting New Zealand does not believe that tinkering with fines and penalties and their respective ratios changes the fact that the offences are largely codified as tax evasion offences. We request MOT share the work it has done (page 52 refers) that supports its proposed change to 1:10.

- As alluded to above, Transporting New Zealand is more disposed towards being opposed to any wholesale changes and when you look at the penalty table (Page 52), the body corporate fees upon court proceedings are significant. We suspect it comes down to a resource issue when the authorities elect to commit a case to trial as opposed to holding to the infringement fee approach which is obviously less administratively demanding. The discussion seems to want to almost meld the two penalty frameworks (infringement fees and court proceedings) into some approach that more closely matches the preferred consistency model of penalties at the ratio of 1:10. More quality information is required to enable meaningful consultation in this area.

6.24 **Questions 62 to 64 inclusive: Recalibrating the non-payment regime**

- Transporting New Zealand does not have a specific view on what basis the penalty for non-payment should be calculated.

- We believe considerable care is required in dealing with non-payment or recovering unpaid RUC. An overly heavy-handed approach risks driving an increased number of cases to court and the likelihood of receiving the outstanding funds is diminished especially if the vehicle owner makes use of the community law services. In our view Section 28 of the RUC Act sets out a reasonable balance. The approach that is presently used must have been carefully thought-out however, we recognise a significant amount of the costs are incurred in the court-based recovery and this money then doesn't get to the NLTF. In the case of freight companies, the recovery of unpaid RUC can be significant as they are likely to accrue the high debt loading compared to private vehicle owner.

- Transporting New Zealand has always understood the 2012 RUC Act recovery system was based loosely on the IRD's Tax Administration provision legislation and largely held to the same principles. The desire to change the recovery provisions suggests Waka Kotahi wants to now go in a separate direction. We would have thought the IRD provisions still provide a valid model since non-payment of RUC is a form of tax evasion, so we would have to question why move away from a model that's largely accepted by business? Having said that, it may be possible to introduce a model that recognises the quantum of debt and applies varying levels of criteria including payment of recoveries and penalty options instead of the one-size-fits-all approach.

- However, every variation on theme will bring its own costs and it is not Transporting New Zealand's role to design a RUC recovery regime by way of a submission. Any changes will require careful evaluation of the merits, or otherwise, before committing to an amended model.

6.25 **Question 65: Other improvements to the RUC system**

- Most of the questions Transporting New Zealand receives about the RUC system are largely due to misunderstanding of the basic concepts such as, the load factor related to distance licences compared to the additional licence fully laden assumptions. This then spills into the assessment process, with underpayers contesting the fact that at times, they operated the offending vehicles unladen, or that sometimes the laden weights they operated the vehicle at were below the RUC licence band weight threshold, and that this should be taken into account within the scope of the assessment.

- It is important these misunderstandings are cleared up. Transporting New Zealand believes better promotion and education by MOT and Waka Kotahi about the CAM and RUC would be helpful.

6.26 **Question 66: Clarifying partly in the definition of EV**

- The risks of introducing an indeterminant definition for “partly” is well explained in this section of the document. How the term “partly” is to be framed is difficult, especially within the context of propulsion systems, and as the discussion points out, some mechanism of verifying a baseline EV distance would help establish whether a vehicle was entitled to a form or measure of RUC discount or exemption. The kWh option would be simpler to apply, but the reality is neither of the options are conclusive because the vehicle operator may still choose to operate the vehicle on the propulsion system other than the electric power more often than the policy drafters expect or plan. The difficulty is getting a level of unequivocable confidence that “partly” within the context of vehicle propulsion systems means an established level of electric travel.

- From the discussion, whatever the outcome, it appears it is going to rest on a level of trust which in today’s world is very tenuous basis for anything, particularly the payment of taxes.

- Transporting New Zealand suggests this issue needs to be explored by experts in this subject matter area, along with appropriate legal input.

6.27 **Question 67: Reclassifying vehicles**

- Transporting New Zealand agrees and supports restructuring the 8 axle combination as covered in paragraph 4.2.1 (page 59) to better encompass the 8 axle 50 tonne combination and accepts the possibility of recalibration of rates applicable to other combinations to maintain relativity.

- However, the discussion document implies the recalibration will increase rates for some H types. We question that inference in light of past regulatory impact statements explicitly stating many H combinations are being over charged relative to their respective pavement and resource consumption, somewhere in the range of 40% higher than necessary. This phenomenon is a function of applying a fixed, or uniform, RUC increase across all RUC vehicle types (an equivalency with the increase in fuel excise) instead of using a discretely calibrated approach, as suggested by the cost allocation model.

- Transporting New Zealand suggests the recalibration needs to adjust the rates so this over-recovery no longer exists, or alternatively is significantly mitigated.

6.28 **Questions 68 to 70 inclusive: Vehicle inspectors reporting tampering**

- Transporting New Zealand does not condone tampering however, we are also mindful of the ongoing challenges Waka Kotahi has faced in providing a consistent standard of vehicle inspection and we are concerned that tampering could increase risks in the quality and integrity of vehicle safety inspections.

- Simple inspection such as mechanical seals on taxi meters is relatively straight forward however, any tampering of a more inconspicuous type will be problematic to detect and may take the focus away from the vehicle’s

safety attributes.

- We would also be concerned that any such change would be used as a reason for introducing a new revenue stream and increased costs for the enhanced inspection.

- Transporting New Zealand suggests this policy development needs a full risk and cost analysis to see if it is viable and feasible.

6.29 **Questions 71 to 73 inclusive: defining distance recorders in light vehicles**

- As Transporting New Zealand understands it, light vehicle speedometers must already meet established standards of accuracy and typically they over read by about four percent to ensure car manufacturers are not sued by owners when speed limits are exceeded. This inaccuracy is mirrored in the odometer readings, as the both devices are driven off the same input pulse source information, although they can usually be calibrated separately.

- We see little point in establishing definitions for accuracy in New Zealand as the variables are so wide ranging the band width of any accuracy measurement would have to be quite wide. Where an odometer has been identified as inaccurate for the purposes of RUC distance measurement, and the owner fails to correct the problem, the legislator needs to develop an effective sanction regime to ensure the device is correctly calibrated for the purposes of RUC compliance.

6.30 **Questions 74 to 76 inclusive: Retention of records**

- Transporting New Zealand does not support the proposal that operators retain weight-based records.

- Firstly, many operations are not based on the weight of product but the volume. The proposed amendment to section 65 of the RUC Act although minor and probably well intentioned, merely increases the inequity between those that use weight-based records and those that do not, and we question how valid the records are that are retained in achieving either convictions or validating assessments for unpaid RUCs.

- We do not believe there is any way Waka Kotahi could have influence over the feasibility of ensuring more companies retain or create weight-based records. History has shown this concept to be problematic, and the requirements regarding Bill of Ladings were dissolved in the late 1980s. This was because there were so many situations when weight-based records were redundant, or unnecessary, for normal transport operations.

- There are calculations and values for approximating weights of various products normally transported by volume, and although this approach is far from ideal, it gives some measure of weight necessary for ascertaining gross weights of vehicles within the boundaries of typical errors. However, the question still arises as to whether these calculations are sufficient to meet the evidential test criteria for conviction or assessments. They may be if Waka Kotahi had a verified and reputable source of information. Unfortunately the rural sector, particularly livestock and general farm

prerequisites, will still operate beyond the scope of the verifiable approximations. General goods will also fall outside the scope of the approximations.

- In summary, however the legislative framework for weight-based records is defined or framed, there will always be transport activities that sit outside that form of data or evidence capture. Despite the intention to alter the legislation, it appears at least on the surface, the present problems will persist and the methods employed to gather the evidence will just become more intrusive and objectionable. We seriously doubt the legal changes will have the intended outcome and we think Waka Kotahi needs to put a lot more thought into the limitations on data gathering it faces and develop a better solution than just changing the legislation. Legislation is inevitably a coarse tool for conducting micro investigations.

6.31 **Questions 77 and 78: Access to third party records**

- The discussion document (page 66) refers, “We have been advised heavy vehicle leaving ports can potentially be overloaded for their applicable RUC licence”. On that basis it appears MOT proposes to amend the Act.

- Transporting New Zealand is disappointed and surprised that Government would seriously consider changing an Act based on such weak evidence. Surely responsible policy making would require much more compelling evidence and MOT has a duty to explore the real issues before embarking on a campaign to draw in third parties and seize their documentation for evidential purposes.

- In the absence of more substantive information Transporting New Zealand does not believe this issue merits further comment at this time.

6.32 **Question 79: Requiring RUC Electronic System Provider (ESP) to notify Waka Kotahi of RUC payment status**

- This proposal is intended to aid compliance and arguably protect the individual customers from amassing a debt by way of manipulating the ESP eRUC purchasing channels.

- While it does not impact us directly and we understand ESPs do not agree with this proposal, Transporting New Zealand supports the suggested changes to ensure adequate reporting and promote compliance.

6.33 **Questions 80 to 82 inclusive: Display of heavy vehicle RUC licences**

- Transporting New Zealand agrees with the general thrust of this proposal. In a similar vein to 6.17 and 6.19, if MOT is serious about adapting to industry innovation then Transporting New Zealand suggests that rather than the issue being about displaying, or not displaying, explicit information, we believe a performance outcome based approach should be taken, i.e. does the operator know whether the vehicle has the appropriate certification at any given time and can enforcement officers also ascertain that information?

6.34 **Question 83: Exempting RUC for vehicles travelling on for COF**

- Given the exemption for on-road travel is relatively limited and the expectation is the vehicles will be unladen (except for the carriage of the logging trailers in some cases), Transporting New Zealand would support the policy approach outlined.

6.35 **Questions 84 and 85: Waka Kotahi discretionary powers to extend RUC review periods**

- The discretionary power lies with regulator. Transporting New Zealand does not believe it is appropriate to comment on how a regulator should exercise its discretion.

6.36 **Questions 86 to 88 inclusive: Mobile cranes and RUC**

- This is not of significant relevance to our sector to warrant comment.

6.37 **Question 89: Other amendments that should be made to the RUC Act.**

- We have no other suggested amendments.

7.0 Concluding comments

- Disappointingly this appears to be another attempt by Government to find another lever to support its climate change agenda, a position Transporting New Zealand strongly opposes.

- The clarity of the RUC system as a resource recovery mechanism has been its strength, and although not perfect, it offers a level of transparency and rigour that has many benefits. Any dilution or reduction in its integrity will be of detrimental to good policy making.

- Transporting New Zealand is not ignorant to the possibility that Government will forge ahead regardless and add additional costs to RUC to purportedly account for externalities, and consequently to road freight transport. We are concerned that the RUC rate changes put forward are an action by stealth to once again make road freight appear unsuitable as a transport service and to elevate rail as an alternative, an articulated key government objective.

- The review's attempt to offer concessional RUC rates to mixed power source vehicles is an unnecessary complication over the simplicity of the RUC system and shouldn't even be considered further. Trying to create a purist approach to road use cost recovery will only introduce additional costs for everyone. The old adage in the road pricing space that efficiency and equity are poor bed fellows still holds true. You can have efficiency (simplicity) or equity. In attempting to achieve equity, efficiency is swept away and despite the growing capability of vehicle technology to contribute to equity and improve efficiency, the great divide still exists.

TRANSFLEET TRAILERS

22nd April 2022

Transfleet Equipment are a NZ privately owned Road Transport Engineering company specialising in the manufacture of aluminium dump equipment, high volume wood chip/refuse equipment and Roc-Tuff high strength high wear resistant steel tipping bodies.

We current employ around 50 FTE staff including one HVCE and two HVCM certifiers. Production output is typically between 50-60 trailer and 80-100 truck body installs per Annam. We currently hold a TSL and have one low loader unit that predominately conducts internal work.

Transfleet have chosen to concentrate our submissions on a specific as we believe this has a wide-ranging implication within the bulk industry segment that we operate in.

RUC 8 axle RUC banding

We support adjusting the HPMV weight bands of RUC on 8 axle's vehicles from 48 to 50 tonnes, but not to the high band increase to 53 to 54 tonnes. The proposed lifting of 48 to 50 tonnes aligns with other HPMV weight bands, and as suggested, aligns with the lift in weights when the VDAM rule was changed in 2016. It also allows an increase delineation from the 46 Tn allowed under VDAM as typically the HPMV band brackets in other configurations are in 3-4 tonne increments.

However, the current maximum limit of 53 tonne has been used as the maximum design for popular and efficient 3 + 5 axle combinations in tipping applications. These combinations are what the industry is known as a having a "short 5" trailer and are restricted to a VDAM limit of 52.7Tn (comprised of a prime mover limit of 23.2 + 29.5 on the trailer). An increase in the bracket from 53-54Tn would likely result in a longer wheelbase tipping trailer. A longer trailer is likely to result in a less safe outcome as the trailer wheelbase (hence body) would have to be longer to achieve 54tn mass groupings (23 + 31 is the most likely). Longer bodies when tipping is inherently less stable when the hoist raises the body into the air further and higher to allow effective product discharge.

In addition, the industry has a "knack" of configuring the best and efficient use of axle layouts to maximise payloads and minimise RUC cost exposure. Often as manufacturer we see RUC changes are a design rule change by proxy.

For these reasons, we propose the rate of RUC at the increased 54t band stay the same as the current 53 tonnes.

TEL TRANSFLEET EQUIPMENT LIMITED
78 McLauglins Rd PO Box 76065 Manukau City 2241 New Zealand PH +64 9 262 3176 Fax +64 9 262 3267

Driving Change: Reviewing the Road User Charges System

Feedback on Consultation Document

Background

The Tranzit Group (Tranzit) has been providing transport services in New Zealand since 1924 and now operate over 2000 vehicles and employ over 2000 people across the length of the country.

While our business has grown and diversified, our focus remains on the passenger transport sector. Our fleet is currently comprised of:

- Coaches, buses, mini-buses, vans, utes, light trucks, cars and trailers.
- Petrol, diesel and fully electric battery powered vehicles.
- Vehicles that pay RUC, that are temporarily exempt from RUC, that claim back off-road refunds and that pay Fuel Excise Duty (FED). This is in addition to other certification, licencing and registration requirements that go with using our country's road network.

We are particularly proud of our efforts to lead the way in bringing battery powered bus technology to New Zealand. Tranzit operated New Zealand's first battery powered bus in 2018. The initial 10 electric double deck buses put into service on the Greater Wellington Regional Council network were the first of their kind in the world.

Tranzit's fleet of electric buses will soon number over 40, and the technology we have pioneered is now being used by other operators. Recognising our emissions responsibilities, we are now innovating through the conversion of diesel buses to being battery powered.

Our investment in electric buses has been matched by our development of charging infrastructure. As well as ultra-fast on-route opportunity charging, we now have in-depot charging capacity to power entire bus fleets.

It is important to recognise that many of the gains in greening our fleet have only been made possible through government support via RUC exemptions on electric buses and other government co-funding mechanisms, such as EECA funding. The ability government has to positively influence outcomes through directed policy and targeted funding / exemptions must be considered in any review of transport revenue collection methods.

We believe our transport experience and fleet diversity provide us with the ability to offer Te Manatū Waka Ministry of Transport with well-founded and constructive feedback on the RUC system. Just as we have recognised the benefits of change in operating our business, we understand the need to modernise the RUC regime. We also recognise the need for the full range of road use and externality costs to be paid for equitably.

In this document, Tranzit provides feedback only on questions that we believe are most relevant and have the most potential to positively impact on emissions, compliance and the use of technology.

For further information or to discuss any of the content provided in this feedback, please contact Keven Snelgrove. Email: kevens@tranzit.co.nz

Keven Snelgrove
Transport and Operations Director
THE TRANZIT GROUP LIMITED

Response to Consultation 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?

The current RUC system is a highly targeted mechanism that provides an effective way of generating revenue from road users that can then be used to pay for building and maintaining road infrastructure and operating public transport. Tranzit supports the view that RUC should be focused on funding the overall transport system, not used for recovering more than these road costs.

The main advantages of the current system are:

- The simplicity the system provides. If more than 'direct costs' are recovered through RUC, then the number of RUC categories will need to extend significantly, which adds complexity. For example, currently the Tranzit Group bus fleet includes both electric and diesel vehicles. It makes sense for two buses that are the same in terms of size, weight, number of axels and vehicle use type (i.e. passenger transport) to eventually be charged the same amount in RUC, no matter their fuel source, once any exemptions have ended. This concept could be extended to passenger cars.
- The transparency of the system and that there are very few exceptions. At present, the revenue gained is used directly on the transport network. Whilst there are other costs that need to be paid for, there are existing and/or better mechanisms to collect these costs.

Eroding these advantages, particularly when other non-RUC mechanisms exist to recover more than 'direct costs', seems counter-productive.

Q2 If RUC should not be used for recovering more than road costs, what alternative approach might be appropriate for recovering those other costs?

Externalities, such as emissions, should have the costs charged when the fossil fuel is purchased. Through this mechanism, all users of polluting fuel sources pay equally for their share of the cost. Behaviour changes can then be directly influenced through tax variations at fuel source.

For example, the environmental cost of using petrol and diesel should be charged at the pump. This would capture emissions impacts of driving an internal combustion engine (ICE) vehicle on-road or off-road, operating an ICE digger or boat, running a diesel freight train, or using a petrol-powered tool such as a lawnmower or chainsaw.

Similarly, electricity generators that use gas, oil or coal would also pay the emissions tax. Electricity generated from these sources would have a higher cost, therefore encouraging generators to use carbon-based generation only for peak demand. This would further stimulate investment in renewable electricity generation options.

Under this mechanism, less polluting fuels would attract a lower tax rate. Bio-diesel, depending on the renewable component of the fuel, would attract less tax than standard diesel. Hydrogen, depending on certified source, could also attract less tax. Hybrid electrics will be encouraged to use primarily battery power and minimise petrol use, which would encourage the purchase of plug-in hybrids.

Continuing to use a targeted RUC system will mean that battery electric vehicles contribute equitably for road costs (once exemptions end) and nothing for emissions. Our comments on when RUC exemptions should be removed are included in feedback on Questions 31 to 34.

Higher prices at fuel source may not be a politically acceptable solution. As we have seen recently, taxes have been reduced at the pump to lower the cost of carbon fuels. This perhaps shows a hesitancy to actively use this as a mechanism that could substantially increase at source prices to control carbon emissions and encourage a fuel switch.

As a greater percentage of vehicles in New Zealand switch to electricity, there may also be an argument to remove all road tax from FED rates and move the entire petrol fleet to eRUC. Through this approach, at pump prices would only include a carbon tax, and any taxes needed to cover other externalities, and so may be lower in comparison to current prices.

2.1 Including externalities in the costs considered in setting RUC rates

Q3 What advantages and disadvantages are there to considering externalities when setting RUC rates?

For most externalities listed in the consultation document, there are other targeted mechanisms that can be used to gather funds that offset the costs:

- Air and water pollution: a pollution tax at fuel source can be used to both gather revenue and act as a tool for behaviour change.
- Noise pollution: based on the premise that ICE vehicles produce more noise, this externality could also be factored into an at fuel source tax.
- Road damage: charged through RUC or FED rates, with a switch to all vehicles using RUC once the nation's fleet is more balanced between electric and ICE vehicles.
- Accidents: currently there is an ACC motor vehicle levy which is paid through a vehicle registration fee for non-petrol vehicles. For petrol vehicles the levy is paid at the pump (currently at 6 cents per litre) and through a vehicle licence fee. Paying solely through a vehicle registration fee doesn't account for the different distances that a vehicle may be driven in a year, but it is an effective and simple system that could be used for all vehicles.

Including externalities in RUC would confuse what the system is for, and we see few benefits when other mechanisms are better suited.

If RUC was to include externalities, it is important that there is complete transparency as to what is included, with a full breakdown of each cost provided when purchasing RUC. Our concern is that over the longer term, successive and less relevant costs will be added into RUC.

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?

Not all ICE vehicles have the same emissions profile. While they all burn carbon, the particulate discharges and pollutants created are different.

If RUC was to include a component that targets environmental considerations, then there should be a sliding scale to RUC for the Euro rating of engines. e.g. a Euro 3 diesel vehicle would pay a higher RUC amount than a Euro 6, in much the same way that a 10 tonne vehicle currently pays a higher rate than a 5 tonne vehicle.

2.2 Including impacts on greenhouse gas emissions 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

Without the support of government, the advances made in using battery powered vehicles for public transport would not have been possible. Whilst several different funding sources have contributed to the uptake of this technology in New Zealand over the last four years, the impact of the RUC exemption cannot be underestimated. In the case of electric buses, RUC exemption has enabled a balancing of higher capital costs with ongoing operational costs.

The key advantage of having a requirement to consider RUC exemptions is that lowering or exempting RUC for some types of vehicles can be used, where appropriate, to create behaviour change around vehicle purchasing decisions.

An example of where consideration is required under the RUC framework is the treatment of two axle buses. There is currently a specific category (311) for three axle buses, but a similar category does not exist for two axle buses.

Tranzit has concerns about the RUC rate that will be used for two axle electric double deck buses (EVDDs) once the EV RUC exemption for heavy vehicles ends. These vehicles are currently operated in Wellington on Greater Wellington Regional Council's Metlink network. With a smaller footprint than a medium / small urban bus, the EVDDs are ideally suited to Wellington and will become more widely used in locations where services operate on narrow and windy terrain or use small bus stops.

EVDDs also have the benefit that when fully loaded during peak hour, they carry 19% more passengers in comparison to 'large' three axle single deck buses. However, the nature of public transport means that the EVDDs only operate at near full weight capacity for approximately 4% of the time on the road. These vehicles will potentially be charged a high RUC rate for 100% of the time they operate.

If these highly effective and environmentally friendly buses end up costing more to operate in RUC than three axle buses that carry fewer passengers, then economics will mean they are used less efficiently. They may be limited to operating peak services, with large buses (often diesel) being used off-peak. This outcome would not support the decarbonisation and environmental goals that all stakeholders in the public transport sector are seeking.

Q10 What are the advantages and disadvantages of enabling consideration of greenhouse gas emissions when setting RUC rates?

RUC should be limited to the impact of vehicles on the road network. Other options such as FED and carbon charges should be used to account for other externalities created through different vehicle and fuel use.

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?

Using RUC only for funding the road and public transport network, and an emissions/carbon tax at fuel source to fund the cost of greenhouse gas emissions, there is no need to set a RUC rate for this externality. Multifuel vehicles will pay for the impact of their polluting energy source at the pump.

2.3 Including fuel type, origin, and blend in RUC rates

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

If the source of different fuels was included as a variable in RUC, it would make it difficult to charge RUC on vehicles that can use fuel from different sources. The most obvious example is diesel vehicles that can run on 100% mineral diesel, biofuel blends and in some cases B100. It is much simpler to deal with the source related impacts of different fuels as taxes that are separate from RUC.

Q14 What are the advantages and disadvantages with the environmental effects of different fuel types being considered in calculating RUC rates for vehicle types?

We can't see any advantage to this approach. On the downside, trying to account for the environmental impact of different fuel types in RUC, on top of vehicle weight, number of axles etc. would result in a very complicated RUC rate tables. It would also be very complicated to apply RUC to vehicles that can switch day to day between fuels with different environmental effects, such as Mineral Diesel to Bio Diesel, or Grey to Green Hydrogen***.***

Q15 ***How would fuel supply chains be verified?***

While verifying fuel supply chains isn't in itself difficult (we already have very good systems for verifying fuel quality compliance), including the charging of elements of RUC based on that verification could be very complex.

Q16 How could we ensure that, if different fuels are available (for example mineral and biodiesel, or hydrogen from different sources), only approved fuel types were used by the RUC vehicle?

We don't think you could easily. We can't see any benefit from making a taxation system this complex. It can be much more efficiently dealt with by having RUC cover the impacts of vehicles on the road network, and other taxes, such as FED handle other fuel related externalities.

2.4 Any other feedback on this chapter?

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

Try to keep RUC as simple as possible. Limit it to dealing with one set of externalities that are specific the transport sector and vehicles, namely the direct impact of vehicles on the road network. Cover the costs of other externalities, such as pollution, with other dedicated taxes charged on the fuels themselves.

3.1 Reviewing the requirements for electronic RUC and mandating eRUC for all heavy vehicles

Q18 What are the advantages and disadvantages of mandating eRUC for heavy vehicles?

It makes sense to have one system for all users. Having one system will lead to greater efficiencies both for eRUC users and in the collection of RUC.

The main disadvantage is the higher cost if current systems are used that come with regular monthly fees and contracts. This is particularly the case for vehicles with low/limited usage such as specialist vehicles, classic vehicles etc.

Q19 What vehicle types should or should not be required to use eRUC?

It should not be compulsory for any vehicles to use eRUC. However, there should be incentives to encourage use of eRUC units, such as lower transaction fees.

Q21 Are the existing requirements for eRUC devices reasonable if the technology was to be made compulsory?

Yes, the existing requirements for eRUC devices are reasonable as far as Tranzit is concerned.

Q23 How would making eRUC mandatory affect your business?

It would make very little difference to Tranzit, as 80% of our heavy fleet already uses eRUC.

3.2 Using ERUC to improve Road safety

Q24 What are the 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?

eRUC should be used as a mechanism for making sure there is compliance with paying for the costs associated with the road network. The majority of the points made by MoT in this section of the consultation document relate to compliance and safety outcomes. Linking a revenue collection mechanism with a policing and enforcement function is a significant and overly intrusive step.

Improved productivity should be an issue that is left in the hands of a transport operator to consider.

3.3 Enabling partial RUC rates for vehicles that also use a fuel subject to fuel excise duty

No responses

3.4 Enabling partial RUC rates for low emission vehicles after light EV RUC exemption ends

Q31 What are the advantages and disadvantages of enabling partial RUC rates to help transition exempted vehicles to full RUC rates?

We suggest that to encourage the growth of the EV fleet across all vehicle types, the RUC that is due to be reinstated 2023 and 2025 should be brought back on at a gradual rate over say five years. Partial RUC rates would need to be available to allow a gradual reintroduction of RUC to currently exempt EV's.

3.5 Exempting certain types of vehicles and vehicle combinations from RUC

***Q32 What are the advantages and disadvantages of the heavy EV exemption being extended for more than five years*?**

With no diesel/fossil fuel vehicles allowed to be added to the public transport fleet after 2025, and a goal of full decarbonisation of the public transport fleet by 2035, extending the RUC exemption of heavy EV's beyond the current five years is likely to increase the rate of uptake of EV's in that ten-year period, rather than a major switch happening towards 2035 or only at the end of current Public Transport Operating Model contracts.

There are also several other government agency contracts in place with that are for the provision of bus transport. These contacts, such as the Ministry of Education's School Run contacts, do not currently require the use of non-diesel buses, or have a pathway for phasing them out, and so will not benefit from the operation of electric buses.

If the vehicles used on other government contracts are to become more environmentally friendly, then there will need to be an incentive to switch. RUC exemptions or reductions are a major incentive for operators, and government agencies, to expand their EV fleets.

Extension of the RUC exemption will also provide an incentive for long-distance coaches to move towards the use of battery technology. The uptake of EV coaches is behind buses for a number of reasons including suitability of technology, availability of charging infrastructure and cost. Without ongoing support, it will be difficult for this sector to make the switch.

There may also be potential mechanisms, outside of RUC exemptions, to incentivise a switch to less polluting technologies. This could include improved tax write-offs for heavy EVs.

Q33 How would extending the end date be effective in encouraging the uptake of heavy EVs?

For public transport bus services, it is the Regional Councils that receive the direct benefit from an exemption date extension. Electric bus RUC exemption, or reduced RUC levels, allow higher vehicle capital costs to be balanced with lower operational costs. If it were a case of higher capital costs and operational costs equivalent to running a diesel fleet, there would likely be a public transport funding crisis at a Regional Council level that would need to be covered by central government.

While extending the RUC exemption doesn't directly benefit the service operators, contractual arrangements could be used to adjust the contract rate to compensate those operators bringing on EV's early.

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?

It would seem sensible for the exemption end dates to match the public transport contract end dates, and the target dates for decarbonisation of the public transport fleet.

As the number of electric vehicles on the road increases, it would seem sensible that a proportion of RUC paid by electric vehicles is targeted back into the funding of electric vehicle charging infrastructure, including the significant network and transformer upgrade costs that are required. This would involve EV's charging infrastructure being considered as part of the roading network.

3.5.2 Exemptions for vehicle combinations where the motive power is from a vehicle exempted from paying RUC

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?

As electric options for prime movers become available, being exempt from RUC would be included as part of the cost/benefit of shifting away from diesel. While RUC exemption is unlikely to play as significant a part in the decision as the difference in fuel costs between EV's and diesel power plants, and differences in capital cost, a RUC exemption can only improve the economics of transitioning to EV's in the heavy vehicle sector.

Q36 What safeguards would we need to ensure that only trailers towed by exempted vehicles were able to be exempted?

We would suggest that it is only the prime mover that is exempt, not the trailer.

3.6 Charging RUC for electric and diesel vehicles with a Gross Vehicle Mass of less than one tonne

No responses

3.7 Exempting low emission vehicles from RUC based on distance travelled

Q41 What are the advantages and disadvantages of a distance-based rather than time-based exemption to RUC for EVs

The main advantage of a distance-based exemption is that the value of the exemption is quantified from the outset. Every vehicle in essence receives the same financial benefit. From a pollution reduction perspective, it is logical to provide incentives that initially benefit those that use the greatest amounts of fossil fuel. These users are more incentivised by time-based exemptions than distance-based ones.

3.8 Adjusting the overweight permit regime

No responses

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

No responses

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

Q48 What advantages and disadvantages are there in allowing RUC licences to be purchased in units of less than 1,000 km?

Being able to purchase RUC in units of less than 1,000 km would give flexibility to the owners of vehicles that get very little use. Transaction fees becoming a significant component of the cost of RUC would be likely to discourage the majority of users from purchasing RUC in very small increments.

3.11 Removing the requirement to display other transport paper labels

Q49 What are the advantages and disadvantages of removing the requirement to display physical vehicle licence ('rego') labels?

Reduced administration cost is the main advantage of removing the need for physical labels. Not having a clear physical label to ensure compliance is a potential issue, but if the label can also be displayed in an eRUC unit then this issue is minimised.

Q50 How can Waka Kotahi assist drivers in ensuring they remain compliant with their vehicle licensing obligations if the label-display requirement is removed?

Ensure there are simple online means of paying Rego and simple ways to provide evidence of compliance at WOF/COF time.

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

No responses

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

No responses

3.14 Assisting new RUC payers to commence paying RUC

No responses

3.15 RUC Offences and penalties

No responses

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

Q65 What other improvements do you think are needed in the RUC system?

The way RUC fees are currently structured is based on the maximum load that a vehicle can take. While public transport (PT) buses and other heavy vehicles are similar in that they both have empty running kilometres (where the vehicle is travelling on public roads but is not loaded), there are additional factors when it comes to PT fleets.

PT buses that are in service always start their run with zero or very few passengers. In a morning peak hour, the bus slowly fills up along its designated route until reaching a main destination, whether that be a city centre, a school or other transport hub. In this scenario, there are limited kilometres during which a bus can be near capacity.

During off-peak, it is rare for buses to operate with full passenger loads. In the evening peak, buses taking people home start their run full, but quickly empty out and so again operate most of the run significantly below RUC weightings.

In total, very few of the odometer kilometres that a PT bus travels are with a full passenger load which would be to the maximum tare limit. As a whole, New Zealand's PT fleet is paying for a share of network costs that is not in line with the average weights that these vehicles operate at. Our recommendation is that for PT buses, the RUC fee uses a discounted rate.

Currently, there is a different RUC rate applied to three axle buses in comparison to other heavy vehicles. RUC vehicle type number 311 provides a marginal discount to buses. There are however a significant number of two axle buses operating in New Zealand, particularly in the PT fleet.

It would make sense that a new category is created to provide a similar incentive to two axle buses. This category also needs to consider heavy two axle buses, such as Tranzit's two axle electric double deck buses. The impact of incentives provided through establishing a new category with a favourable RUC rate would lead to:

- further investment in these types of vehicles
- greater in-service use of these vehicles in comparison to more polluting and lower passenger capacity alternatives.
- a reduction in running costs which would flow through to a reduced ticket price which in turn generates increased patronage.

The other factor to consider in establishing the pricing model used for charging coaches and buses is the positive impact this vehicle type has on reducing the use of private passenger vehicles. Every bus or long-distance coach that is operated, reduces the number of passenger vehicles travelling on the road. This has network benefits, and also assists with other externalities such as emissions reduction.

How the positive outcome created by the increased use of buses and coaches is further incentivised must be considered. A greater RUC rate reduction could be considered, but it is also important not to provide too many exemptions or rate reductions as this will impact on the objective of the RUC system and funding available for the road network.

4.1 Clarifying what 'partly' means in the definition of an electric powered vehicle.

No responses

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

No responses

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

No responses

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

No responses

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

No responses

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

Q78 What evidence threshold or circumstances would be appropriate for Waka Kotahi to trigger the power to access third-party records?

We would suggest that the threshold be evidence of a deliberate attempt by a vehicle operator to avoid paying the correct RUC amounts.

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

Q79 What are the advantages and disadvantages with RUC legislation requiring ESPs to notify Waka Kotahi of changes to the status of RUC payments?

This requirement would pose no issue to Tranzit, as all RUC is currently handled through auto purchase. There is some monitoring required by Tranzit to minimize transaction fees around RUC purchasing. It is likely that more smaller operators will manually purchase RUC to more closely manage cash flow.

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

Q80 What are the advantages and disadvantages of removing the requirement for an electronic distance recorder (EDR) to also display the RUC licence?

An advantage would be that it is one less item on a vehicle to maintain and monitor.

A disadvantage is that it removes a simple in vehicle check that can be done to show that the vehicle is compliant and that the eRUC unit is functioning correctly.

Q81 What requirements should the RUC legislation have around the display of distance on an electronic distance recorder (EDR)?

Displaying the vehicle distance is necessary as this is the legal distance recorder for a heavy vehicle and needs to be visible during CoF checks and for driver logbook entries.

Q82 What are the advantages and disadvantages of completely removing the requirement for carrying or displaying a RUC licence for heavy vehicles?

As a transport operator, not needing to ensure that all heavy vehicles are carrying or displaying a RUC licence would mean some savings in terms of administration and hardware. The hardware savings would come from the hardware (i.e. Ibright or Ehubo2) not needing to have a digital display mounted in the windscreen. The eRUC unit would become a simple black box under the dash.

The downside is that not having a physical RUC licence removes a simple in vehicle check of correct operation. Technology solutions can however be used to make sure an eRUC unit is functioning. Compliance checks for law enforcement could also use online or app solutions.

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

No responses

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

No responses

4.11 Changes to how mobile cranes are defined for RUC

No responses

4.12 Any other feedback on this chapter?

No responses

Submission to:

Te Manatū Waka –

Ministry of Transport

on:

RUC Consultation 2022

Submitted: 22 March 2022

Email: RUCconsultation22@transport.govt.nz

About VIA

The Imported Motor Vehicle Industry Association Incorporated ("VIA") is the business association that represents the interests of the wider trade involved in importing, preparing, wholesaling, and retailing used vehicles imported from Japan, UK, and other jurisdictions.

Our members include importers, wholesalers, Japanese auction companies and exporters, shipping companies, inspection agencies, KSDPs[1], ports companies, compliance shops and service providers to the trade, as well as retailers.

We provide legal and technical advice to the trade, and liaise closely with the relevant government departments, including New Zealand Transport Agency, Ministry of Transport NZ Customs Service, Ministry for Primary Industries (MPI), Ministry of Consumer Affa rs, Commerce Commission, EECA, MfE etc.

Contact

For further contact in relation to this submission:

s 9(2)(a)
Senior Policy Advisor
Imported Motor Vehicle Industry Association (Inc.)
PO Box 14-143 Panmure Auckland

s 9(2)(a)
s 9(2)(a)
s 9(2)(a)

Email: s 9(2)(a)
Web: www.via.org.nz

[1] KSDP - key service delivery partner, organisations that are contracted or appointed by the Transport Agency to delivery regulatory products or services and who have sufficient market share and/or are of sufficient size and standing within an industry segment to be able to represent and influence the customer expectation of that industry segment.

Executive Summary

VIA agrees with the idea of incentivising change by using data collected for the purpose of RUC applied to the purpose of promoting positive externalities and mitigating negative externalities.

VIA would warn, however, that RUC is only one touch point, and we should aim to maximise the effect on externalities by applying pressure where it will have the greatest impact, which – we would stress -- might not be through RUC. For instance, attempting to reduce GHG emissions by applying a penalty to RUC users would be unwieldy and less effective than other options. For maximum effect and simplicity, this pressure should be applied as a tax on fuel.

Other emissions, such as NOx, that are not produced by fuel, would potentially be a better candidate for a RUC-based disincentive, but we would want to consider all options to assure the pressure is applied to maximum positive effect.

Similarly, it is just as important to assure that these externality taxes use money in the way that is most appropriate. It would not be appropriate in the previous examples to apply revenue collected to address GHGs to the NLTF. That money could be better used to assure the policy s) were not regressive and or to encourage low-to-no emission alternatives such as providing a RUC credit for EVs or subsidies for public transport.

There also seems to be a desire to complicate the RUC system beyond what is needed to achieve the stated goals. RUC should be applied to all vehicles that drive on or otherwise utilise public infrastructure without exemption.

To enable the ability to incentivise change related to externalities, RUC legislation should be changed to allow RUC data and processes to be used for the purposes of addressing externalities, positive or negative. The policies justifying and specifying the function of these externality penalties or credits should be discrete from RUC legislation.

This approach ensures our ability to be nimble as new information is learned about the effects of these externalities and it helps encourage an implementation that is transparent while maximising accountability of the product and use of tax revenue collected.

VIA also encourages an approach to RUC that recognises that the likely conclusion is the entire fleet using eRUC but also recognises the intermediate steps to achieve that finale.

A direct response to questions in the consultation document

	Question	Response
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?**	RUC should remain a charge for damage a road user does to the roading infrastructure and the costs for maintenance and remediation. There is value in RUC maintaining its original purpose and intent, but that does not mean other taxes discrete cannot supplement RUC and utilise the data collected for use in RUC. We would propose that RUC legislation be revised to allow this additional use, but that those additional uses be discrete legislation or regulation as applicable. The revision to RUC should specify base requirements such as each of these discrete purposes should include transparency in the front and accountability in the back.
2	**If RUC should not be used for recovering more than road costs, what alternative approach might be appropriate for recovering those other costs?**	We propose that RUC should not be used for recovering more than road costs, but that the RUC legislation be modified to allow additional fees/credit to be applied in addition to RUC with the intent of addressing other negative externalities of our transport system, utilising the data collected by RUC. Once RUC legislation is modified to allow it, we recommend these additional fees/credits be created as necessary, discrete from RUC, and designed to maximise impact.
3	**What advantages and disadvantages are there to considering externalities when setting RUC rates?**	Supplementing RUC with taxes (or credits) aimed at mitigating negative externalities or stimulating positive externalities could be done with surgical precision. The only disadvantage is the added complexity and costs to both governments and consumers.
4	**If externalities were to be considered, what criteria could be used to determine what externalities should be taken into account in setting RUC rates?**	Each externality or set of externalities should be addressed as discrete legislation/regulation focused on that purpose. Whether credit or penalty, the externality "fee" should be designed to maximise effect for the lowest cost to the public. Requiring these additional considerations to be part of separate discrete legislation ensures transparency in drafting and accountability in operation. This also allows further consideration of how the money collected can be best utilised in isolation as opposed to trying to create a blanket policy for all fee that may limit future efficacy.

		Setting up each fee/credit in isolation also demands careful consideration of KPIs, especially when it comes to isolating them from the effects of other influences.
5	**If externalities were to be considered, how should these costs be set?**	Each externality or set of externalities should be addressed as discrete legislation focused on that purpose.
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?**	RUC should remain RUC focused on road maintenance, each externality or set of externalities should be addressed as discrete legislation focused on that purpose. One of the reasons to keep supplemental taxes aimed at addressing externalities separate from RUC is because it is important to have this very discussion for each prospective externality. If a blanket preference is required, then the taxes collected to address externalities should be applied to direct equally apportioned rebates to all New Zealand residents residing in New Zealand.
7	**How would vehicles not paying RUC be affected?**	All vehicles that travel on or otherwise utilise public infrastructure should be subject to the ongoing maintenance of that infrastructure.
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?**	The risk of simply extending RUC to include externalities is a lack of transparency and accountability. It will also be more difficult to engage in discourse if everything is rolled into a single fee. The benefit of having each fee/credit discrete is increased transparency and accountability as already mentioned, but it also maximises flexibility to modify the programme based upon the latest information. For instance, hydrogen fuel is used as an example in the discussion document. While OEMs are floundering about trying to find niches in the emerging low carbon economy, they are of course trying to market and sell the benefits of their potential niches. Regulators and legislators hear the promises from those marketing pitches and design systems to maximise the chance those promises will be realised. If the latest scientific evidence is worth considering, it is quite likely that we will find out that producing, storing, and moving hydrogen is simply too difficult without significant leakage. Combined with the fact that hydrogen is being realised to be a strong GHG and that burning the hydrogen that does make to destination is relatively inefficient, we may eventually realise that we should not be incentivising hydrogen. It

		is easier to point to and argue to end a specific policy than to change a policy that covers a multitude of topics and is likely still net positive.
9	**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?**	The ability to add penalties or credits onto the fees paid by all transport system users based upon externalities and the ability to use the money collected to maximise the benefit of that ability is an important and likely necessary tool of minimising negative externalities and maximising positive ones. The risk is the creation of poor policy, which unfortunately seems to be a very real risk recently. At no point should a policy ever be presented to the public that has to bear a disclaimer stating that "the government is aware poor people will unfairly suffer the most or pay for a necessary change, and that government hopes some future policy is considered to address it". Unfortunately a disclaimer of that sort was attached to almost every proposal in the ERP.
10	**What are the advantages and disadvantages of enabling consideration of greenhouse gas emissions when setting RUC rates?**	The surgical precision in targeting emitters this would allow is an advantage. A disadvantage is that this policy would be regressive. However, if VIAs advice is taken and each policy is discrete, separate from RUC, consideration can be made on ways this can be made less regressive. For example, the money collected from this policy could be evenly distributed back to the public. Low emitters and early adopters would benefit by getting more back than they spent. This would make the policy progressive and would incentivise decreasing travel or low-to-no GHG modes of transport such as walking, cycling, public transport, as well as create further ongoing incentive to move to EVs. This example illustrates exactly how VIA would recommend these incentives and disincentives be setup to maximise positive externalities.
11	**How should the RUC rates be set for vehicles that could use more than one fuel and these fuels had different greenhouse gas emissions?**	RUC should continue to be based upon harm to infrastructure for the purpose of recovering those costs. Externality taxes that might piggyback on the RUC system should be designed to maximise positive effect in the fairest way. This could be based upon, or in conjunction with, an ongoing tax on GHG emitting fuels at their source or point of sale.

		This will assure consumers are always charged appropriately for the use of fuel, including blended fuels. VIA notes that the rationale to exclude road charges from diesel due to extensive use by the agriculture and marine industries should not extend to the use of taxes to reduce GHGs. Agriculture and marine industries buyers of fossil fuels (or any GHG emitting fuel) should pay for the externalities.
12	**What advantages and disadvantages are involved in using NLTF revenue to reduce carbon emissions rather than foregoing RUC revenue?**	Where the money collected to address externalities goes and is used should be determined when the policy is created and designed to maximise positive impacts.
13	**What are the 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)?**	There are many variables related to the environmental impact of different fuels. We should not automatically apply penalties and incentives to RUC, we need to look at RUC as one of several intervention points and enable this in the RUC legislation. It might be optimal to use a different intervention point or even multiple intervention points to address a specific issue. This is why VIA is arguing that RUC legislation should be changed to allow additional fees/credits for the purpose of addressing externalities, but the actual policies aimed at justifying and creating these fees/credits should be discrete. For optimal and fair impact, fuels should be taxed at source according to their individual environmental footprint.
14	**What are the advantages and disadvantages with the environmental effects of different fuel types being considered in calculating RUC rates for vehicle types?**	As above
15	**How would fuel supply chains be verified?**	If the externality fee/credit was applied to the source of the fuel, this would not be an issue.
16	**How could we ensure that, if different fuels are available (for example mineral and biodiesel, or hydrogen from different sources),**	This issue is immaterial if fuel is taxed at source

	only approved fuel types were used by the RUC vehicle?	
17	**How else would you change the setting of RUC to ensure it is adaptable to future challenges?**	VIA's proposal allows maximum adaptability by having a "building block" approach to addressing externalities that can be added to or subtracted from and reshaped to fit current needs as opposed to trying to forge a single predefined solution hoping it is fit for future purpose.
18	**What are the advantages and disadvantages of mandating eRUC for heavy vehicles?**	Vehicles being highly utilised, passenger route-services, line-haul, and logging, etc., are better suited to e-RUC than limited use vehicles.
19	**What vehicle types should or should not be required to use eRUC?**	We should prioritise vehicles uses, and vehicle types based upon potential harm beginning with those used in mix traffic with the highest VKT and mass.
20	**How would phasing-in of eRUC for the heavy vehicle fleet be best accomplished?**	At fleet renewal after a certain date based on answer 19, with a fair deadline for everyone else.
21	**Are the existing requirements for eRUC devices reasonable if the technology was to be made compulsory?**	Any legislation should be enabling to allow for advances in technology, based on outcomes required rather than technology required to achieve the outcomes.
22	**What alternative technological models should we be exploring for eRUC?**	As above
23	**How would making eRUC mandatory affect your business?**	NA
24	**What are the advantages and disadvantages of mandating integrated telematics solutions that could support improved productivity and safety compliance, either as part of eRUC systems or as standa one devices?**	Beyond what is necessary for charging for RUC or addressing externalities, the legislation should permit this, and individual users should be able to select technology solutions and services that best suit their individual circumstances.
25	**How can privacy concerns be managed if we are going to make greater use of eRUC data?**	eRUC providers need to be required to disclose when and how collected data is used or eRUC customers need to be able to specify which data they are willing to share and for what purpose. In a competitive market where eRUC customers can choose their RUC provider, this allows privacy to become a selling feature if it is important to a RUC customer. As an alternative, since RUC will be mandatory, there should be a single public provider that utilises all of the privacy safeguards required by government agencies handling personal data.

		This option will likely be more expensive than a private company that might recover some costs by selling data or otherwise utilising that data for other profitable purposes but is available for those who are concerned about privacy.
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?**	If the legislation is enabling rather than prescriptive the marketplace will drive technological advances at costing that individual users can choose according to their circumstances and individual requirements.
27	**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?**	Access to data should be restricted to areas of authority with all relevant safeguards. If additional access is necessary for enhanced enforcement or addressing negative externalities, then the safeguards should be modified through normal processes.
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?**	RUC should be used to collect revenue for the purpose of addressing road maintenance. Fuels should be taxed at source according to the environmental impact of the individual fuel so there is an advantage for those operators using "Green-Energy" over those using environmentally harmful energy. Costs applied to address other negative externalities should be applied where it is fairest and with maximum effect.
29	**According to what criteria should partial RUC rates be determined?**	See 28 answer
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?**	See 28 answer
31	**What are the advantages and disadvantages of enabling partial RUC rates to help transition exempted vehicles to full RUC rates?**	Assuming our response from answer to 28, then those operators of presently exempted vehicles will have an advantage over other operators as they won't be getting charged for environmental damage they are not causing.
32	**What are the advantages and disadvantages of the heavy EV exemption being extended for more than five years?**	There should not be any exemptions from RUC. EV incentives could take the form of a RUC credit, but that is a political decision. EVs would already benefit by not paying taxes on fuel.
33	**How would extending the end date be effective in encouraging the uptake of heavy EVs?**	Fuel is a major cost to commercial vehicles. An additional cost per litre based upon GHG emissions would exacerbate that cost. Commercial EVs would be exempt from a GHG emissions charge on fuel.

34	**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?**	No, see points above.
35	**How would exempting vehicle combinations where the motive power is from a vehicle exempted from paying RUC encourage the uptake of heavy electric vehicles?**	See points above.
36	**What safeguards would we need to ensure that only trailers towed by exempted vehicles were able to be exempted?**	See points above.
37	**What are the advantages and disadvantages of subjecting road-registered very light vehicles that are not powered by petrol to RUC, or a higher annual licence fee, for travel on public roads?**	All vehicles, including bikes and scooters, that travel on or otherwise utilise public infrastructure should pay RUC based upon their expected damage to the infrastructure. Where that harm is considered to be negligible, a flat fee would be appropriate.
38	**Under what circumstances should ATVs and motorcycles primarily designed for use off road be required to pay RUC, or a higher licence fee?**	Vehicles that do not travel on or otherwise utilise public infrastructure should not be subject to RUC, but they should be subject to penalties or credits designed to address other externalities (i.e., they should pay fuel taxes due to their GHG emissions).
39	**What principles should we use to determine a RUC rate, or higher annual licence fee, for motorcycles and mopeds?**	Based on propensity to cause infrastructure damage at operating weights and the cost of providing the infrastructure in the first instance. Where that harm is considered to be negligible, a flat fee would be appropriate.
40	**Is having a GVM of less than one tonne an appropriate cut off point for treating ATVs separately? If not, what is an appropriate cut-off point or other way of defining these vehicles for RUC, and why?**	As per answer 39
41	**What are the advantages and disadvantages of a distance-based rather than time-based exemption to RUC for EVs?**	Refer answer 28
42	**What changes should be made to section 12 of the RUC Act to improve the overweight permit regime?**	No comment other than to point to comments already made about how RUC should be applied.
43	**How would other potential changes in this discussion**	No comment

	document, such as greater use of eRUC, assist in the overweight permitting process?	
44	**What are the advantages and disadvantages of removing the requirement to display a physical RUC label?**	As enforcement agencies already utilise OCR software and smart-phone apps could be developed for operators and public to use there should be no disadvantages e.g., a parking office could use his/her PDA to capture an image of the licence plate, automatic interrogation of the MVR would be done and if WoF/CoF or Licence expired the offence would be immediately recorded and ticket printed.
45	**What problems for non-compliance and enforcement might this cause?**	See answer 44
46	**How can Waka Kotahi assist drivers in ensuring they remain compliant with RUC if the label-display requirement is removed?**	See answer 44
47	**What are the advantages and disadvantages of retaining the option to request a physical licence?**	See answer 44
48	**What advantages and disadvantages are there in allowing RUC licences to be purchased in units of less than 1,000 km?**	Advantages where there are specific tasks requires for short distance moves where units have to be reconfigured for individual tasks, in principle, road users should only be changed for what they use or cause.
49	**What are the advantages and disadvantages of removing the requirement to display physical vehicle licence ('rego') labels?**	See answer 44
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 answer 44
51	**What are the advantages and disadvantages of retaining the option to request a physical vehicle licence label?**	See answer 44
52	**What are the advantages and disadvantages of letting Waka Kotahi use historical RUC rates when carrying out an assessment?**	Assuming there are no penalties applied and that the RUC user has complied with all applicable laws, RUC rates should be applied based upon their value at the time of use.

		This might be an important consideration when creating future policy to address congestion. While RUC itself should not take congestion into account (unless that congestion in some way leads to the vehicle in question creating more damage to infrastructure), it would be prudent to remain consistent with any future externality tax aimed at reducing congestion by changing for road use during heavy congestion, which by definition will be focused on historical rates.
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?**	Refer to answer 28
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?**	Refer to answer 28
55	**If a partial rate is possible for dual-fuel LPG or CNG vehicles, what principles should be considered in setting the rate?**	Refer to answer 28
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?**	Refer to answer 31
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?**	Base on date of registration and permit to be used up to relicensing date when RUC would also become payable
58	**Should the maximum infringements set out in section 89(q) of the RUC Act be amended? If so, how?**	No comment
59	**Are the existing infringements set at appropriate levels for the offence?**	No comment
60	**Should the offender type ratios differ between individuals and body corporates? If so, how?**	No comment

61	**Would you also change the fee/fine ratio? If so, how?**	No comment
62	**On what basis should the penalty for non-payment of RUC be calculated?**	No comment
63	**What should be the maximum penalty for non-payment of RUC?**	No comment
64	**Should the non-payment penalty regime recognise the time the RUC payment has been outstanding? If so, how?**	Recognised on a pro-rata basis (minimal for just over and increasing incrementally)
65	**What other improvements do you think are needed in the RUC system?**	No comment
66	**What criteria should be used to define, or replace, the word 'partly' in the definition of electric vehicles and why?**	Immaterial if answer 28 used
67	**What are the advantages and disadvantages of our proposed approach to classifying vehicles with eight axle combinations?**	No comment
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?**	The odometer distance is already recorded and entered into Landata algorithms can be developed that would compare previous usage to flag potential discrepancies that the regulator uses to commence investigations.
69	**What form would this inspection take and what would the costs of the inspection be?**	Refer answer 68
70	**What should happen if a Warrant or Certificate of Fi ness inspector thought an odometer had been tampered with?**	Refer answer 68
71	**Is it necessary to define 'accurate' in the RUC legislation, or can we rely on existing case law and practices?**	Within plus or minus as established by EU regulation ECE R39
72	**How could 'accurate' be defined in RUC legislation for the distance recorder fitted to a light RUC vehicle?**	Refer answer 71
73	**What should happen if a vehicle owner finds that their distance**	No comment

	recorder is not accurate and does not correct it?	
74	**What are the advantages and disadvantages of requiring vehicle operators to retain weight-based records?**	No comment
75	**How long should any weight-based records be retained for?**	Similar to other statutory requirement. e.g., tax law.
76	**What could Waka Kotahi do to make this requirement more feasible for companies that create weight-based records?**	No comment
77	**What are the advantages and disadvantages of allowing Waka Kotahi to access third party records to ensure operator compliance with the RUC Act?**	No comment
78	**What evidence threshold or circumstances would be appropriate for Waka Kotahi to trigger the power to access third-party records**	No comment beyond points already made about privacy.
79	**What are the advantages and disadvantages with RUC legislation requiring ESPs to notify Waka Kotahi of changes to the status of RUC payments?**	No comment
80	**What are the advantages and disadvantages of removing the requiremen for an electronic distance recorder (EDR) to also display the RUC licence?**	Refer answer 44
81	**What requirements should the RUC legislation have around the display of distance on an electronic distance recorder (EDR)?**	Refer answer 44
82	**What are the advantages and disadvantages of completely removing the requirement for carrying or displaying a RUC licence for heavy vehicles?**	Refer answer 44
83	**What are the advantages and disadvantages of exempting off road vehicles from paying RUC if they are only travelling on a public**	As many of these vehicles are already transported by vehicles paying RUC the numbers using the roading infrastructure for this purpose would be minimal and the costs involved administratively to the user and the

	road for the purposes of undertaking a safety inspection or maintenance?	agency could outweigh the benefits it would be disadvantageous to require RUC on these vehicles.
84	**What are the advantages and disadvantages of giving Waka Kotahi discretionary power to extend the time for independent reviews?**	The advantage is that it would be more equitable to allow extensions in circumstances that would disadvantage either party due to factors outside of their control e.g., hospitalisation, death, etc.
85	**In what instances should an extension be granted, and in what instances shouldn't an extension be granted?**	Refer answer 84
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?**	They use the roading infrastructure and should pay for the roading damage they cause
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?**	More appropriate and easier to quantify
88	**What other issues might there be with the way RUC rates are calculated for mobile cranes?**	No comment
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 beyond the changes suggested in the previous responses.

Submission by

Z Energy

to the

Ministry of Transport, Te Manatū Waka

on the

Driving Change: Reviewing the Road User Charges System Consultation Document

22 April 2022

Introduction

Z Energy (Z) welcomes the opportunity to submit on the Ministry of Transport's *Driving Change: Reviewing the Road User Charges System* consultation document as a way to ensure New Zealand's Road User Charge (RUC) system remains fit for purpose as the transport industry works to confront the challenge of climate change through the urgent reduction of emissions.

As an essential part of New Zealand's transport infrastructure with a nationwide footprint, Z believes it has an essential role in shaping the future of the country's mobility and energy needs. Z and our customers are collectively responsible for approximately 10 percent of New Zealand's greenhouse gas emissions from the fuel we sell and use. As New Zealanders, and the planet, demand a move away from fossil fuels, we have a responsibility to lean into the tough decisions we need to make to achieve a low carbon Aotearoa.

Z's decision to move from being part of the climate change problem, to being a driving force at the heart of the solution is encapsulated at the centre of our strategic posture – *Solve what matters for a moving world by optimising the core business so that we can transition to a low carbon future*. Z is committed to a target of a 42 percent reduction in its operational emissions over FY20-FY30 and are deliberately ensuring our decarbonisation strategy aligns with our customers in terms of technology choices, pace of transition, cost and risk.

Executive summary

Z believes that the current review of the Road User Charges (RUC) System gives the Government a unique opportunity to move in an ambitious way to reform transport funding and road pricing, enabling the rapidly evolving transport sector to be more effective in the face of future challenges and changes.

The need for an equitable transition

We acknowledge the Government's overarching objective of the review around better utilising the RUC system to promote the uptake and use of vehicles with low-carbon emissions to help us meet our climate goals. Z wholeheartedly agrees with the intent, noting that we supported the Government's Clean Car Discount policy (the feebate scheme) to reduce the upfront cost of low emission vehicles.

While we believe electrification of the light passenger fleet is critically important and very urgent, as seen in our recent move to scale up our EV charging network, Z is firm in its view that any policy designed to help promote the uptake and use of vehicles with low-carbon emissions to help us meet our climate goals (including the feebate scheme or the review of the RUC system) must not disadvantage those for whom measures like EV affordability is out of reach.

Z has unique exposure to a broad cross-section of customers in commercial and retail fuel, and electricity retail, so we understand how difficult even small changes in utilities and household costs can be for many New Zealanders. While carbon abatement

doesn't come for free and the impacts of growing cost pressures from a rising carbon price will become more challenging to address, the question of who bears this cost is an important challenge that must be solved for moving forward through both public/private partnerships as well as policy settings.

We must plan for an equitable transition that caters to all New Zealanders, including those for example whose personal circumstances may not allow for the option to drive less – due to things like shift work – or who may not have the means to transition to alternative technologies like EVs.

Ensuring equity in the RUC System

Z recognises that the RUC system is a unique policy mechanism that has the potential to be built on to meet the policy objective around climate change mitigation, transport system access and cost efficiency. However, it's the interplay of RUC and fuel excise duty that may lead to inequitable outcomes given RUC is fixed per-distance and fuel excise is not.

As we outline in our responses to the consultation questions below, Z believes that emissions policy objectives are most effectively dealt with separately via the existing market based-policy measure of the Emissions Trading Scheme (ETS), alongside more targeted mechanisms of direct subsidies and regulation targeting vehicle procurement, combined with increased investment into supporting zero emissions infrastructure.

We see that the reduction in cost and increasing availability of digital tools continues to make road and/or congestion pricing a feasible and effective option to lower emissions in the transport sector, and in Z's view, more likely to succeed if transport funding is consolidated into one mechanism that can seamlessly deliver.

We strongly suggest officials consider removing the current fuel excise duty regime (FED) and move to an 'all vehicle, all fuel' RUC system. While this may seem like a simplistic approach, it would have strong equity benefits and be based on the current principle of the RUC system being vehicle weight, configuration and distance travelled.

In Z's view, an 'all vehicle, all fuel' RUC regime would avoid future fiscal holes from reduced FED without the need to use ever higher FED rates on those users with legacy high-fuel consumption vehicles who may have little choice to switch. From this baseline, the Government would have the option for a more nuanced RUC regime introducing road and/or congestion pricing, with consequent reductions in the headline RUC rate.

This approach would also give the Government greater optionality to introduce relevant externality considerations into the RUC cost – where those externalities are clearly best recovered via the RUC mechanism – and have confidence in applying them equitably across the fleet.

We would welcome the opportunity to hold a briefing session with you to go through our submission in more detail and look forward to arranging this with you. If there is any further information that would be of use to the Ministry, please do not hesitate to contact us.

Response to Consultation Questions

Driving Change: Reviewing the Road User Charges System comments table

Please note that Z has only answered consultation questions where they are directly relevant to our business, and/or where Z offers a meaningful and unique perspective.

Reference	Question	Response
Chapter 2, pg. 20: Using the RUC Act to do more than recover road costs	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?	<u>Advantages</u> Z acknowledges that the RUC system is an established mechanism for the collection of land transport costs in New Zealand, and that the operation of the scheme is well understood by road users. We believe that where costs or benefits can be closely tied back to the activities of road users there is a rationale for seeking recovery from them. Z see's that this could be achieved via the RUC system with amendments as discussed in further responses. <u>Disadvantages</u> As RUC obligations are defined technically by vehicle weight and configuration, as well as distance travelled, definitions are not always well correlated to costs other than "the direct costs of building, operating, and maintaining the land transport system." Z poses that an increase in RUC to cover costs outside of the current definition may lead to a greater cost burden on road users who are least able to modify their behaviour (i.e., through the purchasing of an EV). If RUC continues to be selectively applied to only some vehicles and fuels, there will likely be consequent parity issues and potential for unintended consequences such as a transfer into fuels outside of the RUC regime. As transport technology will continue to evolve towards greater efficiencies and emissions reductions, if pricing externalities like emissions are attempted to be captured via a $/km rate for different vehicles, the relationship between the cost of externalities and kms (cost driver) will be difficult to predict and could vary significantly between vehicles / fuels. Z believes that the relationship between direct costs and km travelled (by weight) is a better-established mechanism to accurately measure externalities and is less likely to change.
	2. If RUC should not be used for recovering more than road costs, what alternative approach might be	Z believes that emissions policy objectives are most effectively dealt with separately via the existing market based-policy measure of the Emissions Trading Scheme (ETS) such as auction parameters and unit limits, alongside more targeted mechanisms of direct subsidies and

	appropriate for recovering those other costs?	regulation targeting vehicle procurement, combined with increased investment into supporting zero emissions infrastructure. We see that the reduction in cost and increasing availability of digital tools continues to make road and/or congestion pricing a feasible and effective option to lower emissions in the transport sector, and in Z's view, more likely to succeed if transport funding is consolidated into one mechanism that can seamlessly deliver. For example, a bespoke road pricing or congestion scheme could focus on the efficient use of scarce transport infrastructure; and a fuel tax could consider air quality or other environmental costs.
Chapter 2, pg. 22: Including externalities in the costs considered in setting RUC rates	3. What advantages and disadvantages are there to considering externalities when setting RUC rates?	Please refer to our response to Q1.
	4. If externalities were to be considered, what criteria could be used to determine what externalities should be taken into account in setting RUC rates?	Z believes that any externality being considered for inclusion within the RUC system should be able to be measured and quantified in a way that builds road users confidence that any change in RUC rates is evidence based. To help ensure this confidence, the externality needs to be substantial enough that there is sufficient merit for its inclusion and the quantum of that externality should be closely linked to the factors that determine RUC rates which are currently weight/configuration and distance travelled.
	5. If externalities were to be considered, how should these costs be set?	As we have outlined in our response to Q4 above, any externality being considered for inclusion within the RUC system should be able to be measured and quantified in a way that builds road users confidence that any change in RUC rates is evidence based with clear outcomes sought. Z believes that the cost imposed should be closely aligned to the externality cost incurred. Further to this, the relationship between the cost of externalities should be periodically revisited by officials to ensure the relationship is as strong as first thought, as well as factoring in technological changes that may decouple assumed relationships.
	6. Would charges for externalities be in addition to the current form of RUC, and potentially used to address the externalities directly, or	Z proposes that any charges should be in addition to the current form of RUC, however, charges for externalities should seek to address those externalities to the best extent possible.

	be a core part of total land transport revenue?	For example, congestion charges may themselves mitigate the externality rather than requiring specific investment so could be used as a core part of total land transport revenue and therefore reduce the non-congestion charge income.
	7. How would vehicles not paying RUC be affected?	As we outlined in our executive summary and response to Q1, there could be significant parity issues in using RUC for externalities or other costs while all vehicles and all fuels used in land transport do not fall under the RUC regime. Z believes this is a strong argument in favour of bringing forward all vehicles and all fuels used in land transport into the RUC regime to enable consistent and equitable transport cost recovery, including appropriate externalities if these are to be included in RUC rates moving forward.
Chapter 2, pg. 26: Including impacts on greenhouse gas emissions when setting RUC rates	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?	<u>Advantages</u> As the need for climate change mitigation increases, Government may require further policy levers to utilise. RUC rates are one of the major cost components of owning and using vehicles, and therefore have the optionality to take account of climate change – greenhouse gas emissions specifically – in the direction of that mechanism. Z agrees that on face value this option has advantages, noting the disadvantages outlined below. <u>Disadvantages</u> As liquid fuels fall under the Emissions Trading Scheme (ETS), there is a risk of duplicating effort as the primary climate impact of transport already has a policy lever in place. There is not as strong a connection between the factors that determine RUC costs which are currently weight/configuration and distance, and climate impacts compared to specifically targeting fuel combustion. The decisions by road users about what vehicle to purchase and what fuel to use that have climate implications can be directly impacted by policy via the ETS or other fuel taxes and by regulations related to vehicle procurement such as the clean car standard and discount.
	9. 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	Z sees little benefit in the consideration of a RUC exemption as part of the development of the Government Policy Statement on Land Transport and questions the value of this being progressed as part of the work programme moving forward.

	Statement on land transport?	
	10. What are the advantages and disadvantages of enabling consideration of greenhouse gas emissions when setting RUC rates?	<u>Advantages</u> Z acknowledges that the consideration of greenhouse gas emissions when setting RUC rates enables an additional policy lever to meet climate change objectives, through a different mechanism and target. <u>Disadvantages</u> As RUC rates primarily impact existing vehicle owners, any exemption or differing RUC rate for particular fuels or vehicle types (such as EVs) will primarily impact them. For example, if a partial or complete exemption for Electric Vehicles (EVs) persisted while the EV fleet continued to increase, then the proportion of new vehicle introductions influenced by the policy relative to those benefitting from the policy would become increasingly poorly targeted. As liquid fossil fuels fall under the Emissions Trading Scheme (ETS), we see a risk for a duplication of effort through this proposed mechanism, as the primary climate impact of transport already has a policy lever in place. We note there is not as strong a connection between the factors that determine RUC costs which are currently weight/configuration and distance, and climate impacts compared to fuel combustion. Additionally, the decisions by road users about what vehicle to purchase and what fuel to use that have climate implications can be directly impacted by policy via the ETS or other fuel taxes, and by regulations related to vehicle procurement, such as the clean car standard and discount.
	11. How should the RUC rates be set for vehicles that could use more than one fuel and these fuels had different greenhouse gas emissions?	Z's preference is for RUC to be an 'all fuels and all vehicles' system for reasons of equity and policy effectiveness. If that were not the case, RUC rates should reflect the totality of expected vehicle use and take a holistic view of the taxes and levies that each vehicle/fuel combination contributes.
	12. What advantages and disadvantages are involved in using NLTF revenue to reduce carbon emissions rather than foregoing RUC revenue?	Z strongly believes that the National Land Transport Fund (NTLF) should retain its focus on the provision of transport and infrastructure, with other policies and cost/funding mechanisms designed specifically and solely for carbon emissions used to reduce emissions.

Chapter 2, pg. 27: Including fuel type, origin, and blend in RUC rates	13. What are the 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)?	<u>Advantages</u> Z does not see any advantages with the proposal. <u>Disadvantages</u> The source of different fuel types is dealt with via the Emissions Trading Scheme (ETS) and the frameworks under which global climate policy rests, such as the jurisdiction under which the climate impact of a given activity is counted. As such, Z believes that considering the source of different fuel types under RUC would bring in inconsistencies compared to other sectors and policy tools. For example, the clean car discount targets in-country emissions and not the upstream emissions of different vehicle manufacturers. Bringing in fuel source consideration to the RUC scheme would add significant complexity to its administration, making it harder for road users to understand their ongoing costs and choices. While exemptions on fuel sourced from specific places may incentivise buyer behaviour toward vehicles that can use that fuel, it would also result in the policy becoming increasingly more expensive for the Government to administer and would disproportionately target users of other fuel sources. We note that there is consideration already being given to the standards around fuel source under the Government's Sustainable Biofuels Mandate, set to be implemented by 1 April 2023.
	14. What are the advantages and disadvantages with the environmental effects of different fuel types being considered in calculating RUC rates for vehicle types?	<u>Advantages</u> Z does not see any advantages with the proposal. <u>Disadvantages</u> Z strongly believes that environmental impacts related to fuel, regardless of the type, should be dealt with by direct policy related to that fuel. For example, taxes or regulations on or related to that fuel. There is not as strong a connection between the factors that determine RUC costs which are currently weight/configuration and distance, and environmental impacts of fuels by targeting them directly.
	15. How would fuel supply chains be verified?	We note that the development of detailed methodologies relating to sustainability criteria of fuel supply chains is already underway via the Government's Sustainable Biofuels Mandate, set to be implemented by 1 April 2023.

		We look forward to engaging with relevant officials on the criteria once the regulations become available, but caution that any form of verification is likely to impose high costs on fuel providers which would be passed on to transport users.
	16. How could we ensure that, if different fuels are available (for example mineral and biodiesel, or hydrogen from different sources), only approved fuel types were used by the RUC vehicle?	This proposal would be very difficult to implement in practice, meaning road users would shoulder the cost burden. We believe that such a proposal highlights a key flaw in the concept of trying to directly link an externality mitigant (the RUC), to the source of that externality (being fuel sources) and that perverse outcomes would likely result. We see that the proposed linking of RUC to fuel sources may limit innovation regarding new fuel types/sources and the ability for market participants to meet customer needs due to the need to fit in with an increasingly complex RUC system. We reiterate the position that an 'all fuels and all vehicles' RUC system that directly relates to the activity is preferable, while dealing with fuel externalities with specific policy and regulation for fuels.
	17. How else would you change the setting of RUC to ensure it is adaptable to future challenges?	As above, Z reiterates its position that an 'all fuels and all vehicles' RUC system that directly relates to the activity is preferable and best able to meet future challenges.
Chapter 3, pg. 34-35: Enabling partial RUC rates for vehicles that also use a fuel subject to fuel excise duty	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?	<u>Advantages</u> Z sees the proposal as a way to recognise and address the equity issue faced by dual-fuel vehicles in potentially paying road costs under both the RUC system and via Fuel Excise Duty (FED). The mechanism would also help to avoid distortions or unintended consequences from lower emissions vehicles such as plug-in hybrid electric vehicles (PHEV) being uncompetitive from a tax perspective verse higher emitting single fuel internal-combustion engine (ICE) vehicles if full RUC were applied. <u>Disadvantages</u> Regardless of the advantages of the proposal as outlined above, setting the correct RUC partial rate for dual-fuel vehicles will be difficult and will likely result in relative winners and losers. For example, if it was set at a low partial rate, it may encourage buyers away from zero emissions single-fuel vehicles such as battery electric vehicles. If it was set at a high partial rate, it may encourage buyers away from a potentially low emissions dual-fuel vehicles such as a PHEV with preference for an ICE vehicle.

		Z believes this complexity is a further reason to support an 'all vehicles/all fuel' RUC scheme while dealing with fuel externalities with specific policy and regulation for fuels.
	29. According to what criteria should partial RUC rates be determined?	Z believes that on balance, RUC rates should be set at a relatively high-level, or slightly below where battery electric vehicles are currently set. We base this on our understanding that a petrol plug-in hybrid vehicle (PHEV) will shortly be the most common dual fuel vehicle in New Zealand based on current purchasing trends. A good proxy for expected liquid fuel use would be the combined Worldwide Harmonised Light Vehicles Teste Procedure (WLTP) to measure/set fuel consumption, however we understand that real world fuel consumption is often higher, so suggest officials consider a slight spread to this number. We believe that diesel plug-in hybrid vehicles (PHEV) should face the same RUC as battery electric-vehicles (BEV), noting this assumes that RUCs for battery electric-vehicles (BEV) and an internal combustion engine vehicle (ICE) equal. Officials could undertake a periodic survey to determine the average WLTP for each dual-fuel combination, or a model-by-model system could be enacted, but this would likely increase complexity significantly for minimal gain.
	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?	Z does not believe that operators of dual-fuel vehicles with a reduced RUC rate should be able to claim a full FED refund if they used more fuel than average as this would potentially allow dual-fuel vehicles a free option of facing lower RUC than say battery-electric vehicles (BEVs) if they operated mostly on electric, with the ability to access refunds if they did not. The clean car discount and standard are premised on the view that dual fuel vehicles can and do achieve very low emissions, with subsidies and support existing on this basis. The RUC system should not encourage owners to buy a subsidised vehicle and then operate it in a high emitting manner. Further widening of refunds opens the system to fraud and higher operational cost for users and agencies which Z sees as counter to the intent of the Government's proposals.
	31. What are the advantages and disadvantages of enabling partial RUC rates to help transition exempted vehicles to full RUC rates?	<u>Advantages</u> Z acknowledges that enabling partial RUC rates could lessen the transition shock on newer light EV owners who may not be fully aware of the RUC exemption, thus continuing to support EV uptake within the New Zealand market. <u>Disadvantages</u> While the proposal may be advantageous, there would be an increasing fiscal cost to the Government as the EV fleet rapidly grows.

		Further to this, Z is of the view that proposal could also perpetuate an increasingly poorly targeted subsidy that is mostly captured by existing EV owners who grow in number every year. Given this, the fiscal cost may be better targeted at EV charging infrastructure upgrades or purchase subsidies to continue to drive adoption.
Chapter 3, pg. 37: Exempting certain types of vehicles and vehicle combinations from RUC	32. What are the advantages and disadvantages of the heavy EV exemption being extended for more than five years?	<u>Advantages</u> Z acknowledges that the proposal to extend the heavy EV exemption for more than five years may support uptake of heavy EVS which has been slow to materialise. <u>Disadvantages</u> We believe RUC exemptions in general to be poorly targeted and that infrastructure or purchase subsidies may do more to encourage uptake in the New Zealand market. The continued uncertainty over RUC exemptions does not help asset owners plan for the lifetime costs of operating a heavy EV which may extend beyond the RUC exemption time horizon even with a 5-year extension. Where possible, policy should allow operators more certainty regarding lifetime costs of differing drivetrain options. Z believes that upfront purchase subsidies and infrastructure investment provide this certainty, whereas ongoing operating cost subsidies such as RUC exemptions with uncertain sunset dates do not to the same extent. We note that capital constrained businesses are not helped as much by operational subsidies, whereas all businesses that may have appetite to operate a heavy EV would benefit from more immediate support.
	33. How would extending the end date be effective in encouraging the uptake of heavy EVs?	Businesses that operate heavy vehicles would have more certainty on their lifetime costs if the end date for the heavy EV exemption was extended that may be sufficient to make the investment decision to operate a heavy EV – albeit with some residual uncertainty as we note above in response to Q32,
	34. 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?	Please note our responses above on the fundamentals of RUC exemption. It is Z's view that if RUC exemptions are to stay, that officials consider alternative approach with the expiry of RUC exemptions linked to individual vehicles, based on the typical useful life of that vehicle. For example, if a vehicle's useful like was say 8 years, then that specific vehicle would get 8 years of RUC exemption. This approach would give the operator certainty about the lifetime costs and the confidence to invest. If an operator purchased another vehicle in 6 months' time, then that vehicle would also get 8 years so its RUC exemption would extend beyond the calendar date of the first vehicle.

		The problem with a fleet wide date such as 2030 is that it provides reasonable cost certainty for operators now, but that certainty declines every year as the sunset date gets closer, while the useful life of a vehicle useful starts to extend beyond that date. This may mean that the propensity to take a risk on a high capital cost drivetrain could reduce as the operational cost uncertainty verse alternatives increases. This is a similar concept to the distance-based exemption under discussion in Section 3.7 of the Ministry's consultation document.
Chapter 3, pg. 40: Charging RUC for electric and diesel vehicles with a Gross Vehicle Mass of less than one tonne	37. What are the advantages and disadvantages of subjecting road-registered very light vehicles that are not powered by petrol to RUC, or a higher annual licence fee, for travel on public roads?	While Z supports an 'all vehicles all fuels' RUC, there needs to be some recognition that there is a cut-off point where the higher compliance load of RUCs produces diminishing returns and that certain types of vehicles create lower costs on the transport system. Z acknowledges that we do not have the expertise to assess if <1 tonne proposed in the consultation document is the correct cut-off, but we believe there should be a cut-off. Z have long held the view that very light vehicles could have an increased role to play in mobility in the future, in response to resource costs and climate change, so any regulatory setting should not discourage their emergence, while keeping to the principle that road users should bear the costs they incur on transport resources.
	38. Under what circumstances should ATVs and motorcycles primarily designed for use off road be required to pay RUC, or a higher licence fee?	We believe for simplicity there is a strong case here for a licence fee that reflects on-road use rather than the complexity of RUC inclusion, but the fee that contributes to the NTLF (exclusive of ACC) should also reflect the greatly reduced costs that motorcycles, and mopeds impose on the transport system.
	39. What principles should we use to determine a RUC rate, or higher annual licence fee, for motorcycles and mopeds?	Please see our response to Q38 as above.
Chapter 3, pg. 41: Exempting low emission vehicles from RUC based on distance travelled	41. What are the advantages and disadvantages of a distance-based rather than time-based exemption to RUC for EVs?	While Z is in general in favour of removing EV exemptions, if they are to persist, we believe a distance-based exemption will drive increased uptake and certainty for prospective EV vehicle owners and buyers rather than a time-based exemption. A distance-based exemption would also allow for a more rapid roll-off of existing vehicle exemptions – for which ongoing payments are a windfall to existing owners but do not drive any incremental EV uptake – while still allowing support for new purchasers.
Chapter 3, pg. 49:	53. What are the advantages and disadvantages of removing	As we have outlined in previous responses above, Z is in favour of moving to an 'all vehicle and all fuel' RUC system for equity and policy effectiveness reasons. Removing FED from LPG

Transitioning CNG- and LPG-powered vehicles into the RUC system	FED from sales of LPG and CNG and having all road vehicles using these fuels move to paying RUC?	and CNG would ensure more road vehicles are paying fair and equitable contributions to the costs they incur. A primary issue with FED is that more efficient vehicles contribute less than their share towards transport system costs. While efficiency is desirable, owners are still incentivised to achieve this via the cost of fuel and emissions related costs.
	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?	Depending on the externalities included in any future RUC system, there could be differences such as impacts from particulate matter between fuels that may justify a different rate being applied. However, as stated in previous responses, Z believes this would be better applied as a specific fuel tax to achieve that purpose.
	55. If a partial rate is possible for dual-fuel LPG or CNG vehicles, what principles should be considered in setting the rate?	If a partial rate for dual-fuel LPG or CNG vehicles is considered, then there needs to be consistency with the relevant treatment of all other dual-fuel vehicles on a principle's basis.

ENDS