

OC220632

12 September 2022

s 9(2)(a)

s 9(2)(a)

I refer to your email dated 22 July 2022, requesting the following under the Official Information Act 1982 (the Act):

*“a copy of all the submissions received from the following organisations as a result of the public consultation on the RUC document referred to in WQ 23300 (2022) and WQ 19957 (2022):*

*• Auckland Business Forum • Auckland Transport • Business NZ • Campaign for Better Transport • Canterbury RTC • Civil Contractors NZ • ContainerCo NZ • Crane Association of New Zealand • Drive Electric • Dunedin City Council • Dynes Group • EROAD • Federated Farmers • Fonterra • Foodstuffs NZ • Global Bus Ventures • Greater Wellington Regional Council • Hamilton City Council • Hiringa Energy • Horizons Regional Council • Hyundai • I Love Public Transport Taranaki • Imported Motor Vehicle Industry Association • Infrastructure NZ • JSwap • Kiwirail • Local Government New Zealand • Mackenzie District Council • Mainfreight • Mitsui NZ • Motor Industry Association • National Road Carriers • Nelson Transport Strategy Group, (NELSUST) • Neste • Northland RTC • NZ Bus and Coach • NZ Heavy Haulage Association • NZ Motorcaravan Association • NZ Police • NZ Trucking Association • Office of the Privacy Commissioner • Otago Southland RTC • Queenstown Lakes District Council • Rural Contractors NZ • Scania • Seasons Tours & Travels NZ • Spokes Canterbury • Taituarā Local Government Professionals Aotearoa • Taranaki RTC • Teletrac Navman • TERNZ - John de Pont • Transfleet • Transport Certification Australia • Transporting New Zealand • Transit Group • Wareing Group • Z Energy...”*

58 documents fall within the scope of your request and are detailed in the document schedule attached as Annex 1. The schedule outlines how the documents you requested have been treated under the Act.

When the written Parliamentary question to which you refer (*WQ 23300 (2022)*) was answered in July the Ministry was not aware of a submission having been made by the Automobile Association, having not received a copy, and so it was not listed in the WPQ reply. Its submission, published on its website in April, has since been brought to our attention, and analysed alongside the other submissions. Therefore, though it is not named in your request, it is being released in full to you as part of this response.

Certain information is withheld under the following sections of the Act:

- |             |   |
|-------------|---|
| 9(2)(a)     | to protect the privacy of natural persons   |
| 9(2)(b)(ii) | to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information  |
| 9(2)(ba)(i) | to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied |

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz)

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry's website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



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

## Annex 1 - Document Schedule

Doc#	Document	Information released/withheld
1	AA-submission-Review-of-Road-User-Chargers-Final	Released in full.
2	Auckland Business Forum submission on RUC review	Some information withheld under section 9(2)(a)
3	AT feedback- Road User Charges Review April 2022	Released in full.
4	BusinessNZ Sub - Road User Charges System Consultation	Released in full.
5	CBT Submission on Driving Change Reviewing the Road User Charges System	Some information withheld under section 9(2)(a)
6	2022-04-21 Canterbury RTC Road User Charges Submission FINAL	Some information withheld under section 9(2)(a)
7	Civil Contractors NZ Road User Charges submission	Some information withheld under section 9(2)(a)
8	ContainerCo Submission	Some information withheld under section 9(2)(a)
9	RUC Submission_CANZ_2022	Released in full.
10	Drive Electric Submission RUC consultation FINAL	Released in full.
11	Dunedin FINAL signed RUC submission	Some information withheld under section 9(2)(a)
12	DYNES Submission on Driving Change-Road User Charges	Some information withheld under sections 9(2)(a) and 9 (2)(b)(ii)
13	EROAD 2022-04-22 submission on RUC System Review	Some information withheld under section 9(2)(a)
14	Fed Farmers 220422 MoT Driving Change Reviewing the RUC System	Some information withheld under section 9(2)(a)
15	Fonterra submission - Road User Charges consultation - April 2022	Released in full.
16	FSNZ sub RUC consultation 2022_FINAL 22.4.22	Some information withheld under section 9(2)(a)
17	GBV_V3	Some information withheld under section 9(2)(a)
18	Road User Charges GWRC Submission	Some information withheld under section 9(2)(a)
19	Hamilton City Council - Final Submission - Driving Climate Change - Reviewing the Road User Charges System	Some information withheld under section 9(2)(a)
20	Hiringa RUC Submission 20220422 v2	Released in full.
21	Horizons Regional Council - RUC submission April 2022	Some information withheld under section 9(2)(a)
22	Hyundai RUC Final	Withheld in full under sections 9(2)(b)(ii) and 9(2)(ba)(i)
23	I Love Public Transport Taranaki Road User Charges submission 22 April 2022	Some information withheld under section 9(2)(a)
24	VIA Consultation - RUC 2022	Some information withheld under section 9(2)(a)
25	Submission of Infrastructure New Zealand - Reviewing the Road User Charges System	Some information withheld under section 9(2)(a)
26	RUC consultation 2022 - J Swap Submission	Withheld in full under sections 9(2)(b)(ii) and 9(2)(ba)(i)
27	Road User Charges Consultation Paper 2022_KiwiRail's Response	Some information withheld under section 9(2)(a)

28	LGNZ Submission on the Road User Charges Review - April 2022 v3 signout	Some information withheld under section 9(2)(a)
29	Mackenzie District Council Rooding Manager Road User Charges Submission	Some information withheld under sections 9(2)(a) and 9(2)(ba)(i)
30	Mainfreight RUC Submission April 2022	Withheld in full under sections 9(2)(a), 9(2)(b)(ii) and 9(2)(ba)(i)
31	Consultation RUC System_Submission Mitsui New Zealand	Some information withheld under section 9(2)(a)
32	MIA submission on Driving Change - Reviewing the RUC System - 22 April 2022	Some information withheld under section 9(2)(a)
33	NRC Submission Driving Change Reviewing the Road User Charges System	Some information withheld under section 9(2)(a)
34	NELSUST Submssn RUCs 2022 MOT	Some information withheld under section 9(2)(a)
35	Neste submission on RUC review	Released in full.
36	Northland RTC 2022 04 021 RTC Submission on the Te Huringa Taraiwa	Some information withheld under section 9(2)(a)
37	NZ Bus and Coach RUC Consultation 2022	Some information withheld under section 9(2)(a)
38	NZHHA Submission - RUC - April 22	Some information withheld under section 9(2)(a)
39	NZMCA Submission to the RUC review	Some information withheld under section 9(2)(a)
40	Police Submission - Road User Charges System Review	Released in full.
41	NTA Submission Driving Change2Reviewing the RUC System March 2022	Some information withheld under section 9(2)(a)
42	Privacy Commissioner submission on Driving Change - Reviewing the Road User Charges System	Some information withheld under section 9(2)(a)
43	Otago Southland RTC - Road User Charges Submission April 22	Some information withheld under section 9(2)(a)
44	QLDC submission to the Review of the Road User Charges System April 2022	Released in full.
45	Rural Contractors Submission re MOT Reviewing the Road User Charges System_final	Some information withheld under section 9(2)(a)
46	Scania NZ RUC submission Reviewing the Road user charge document	Some information withheld under section 9(2)(a)
47	Request for change	Some information withheld under section 9(2)(a)
48	Road User Charges Spokes Canterbury Submission - as submitted 22Apr2022	Released in full.
49	Taitura driving change submission	Released in full.
50	FRODO-#3017758-v1-Taranaki RTC submission to Ministry of Transport on RUC System review April2022	Some information withheld under section 9(2)(a)
51	20220422 Teletrac Navman Response	Withheld in full under sections 9(2)(b)(ii) and 9(2)(ba)(i)
52	John de Pont RUC22 Submission	Some information withheld under section 9(2)(a)
53	Transfleet RUC Submission 2022	Released in full.
54	TCA Response to Te Manatu Waka RUC Consultation - April 2022	Some information withheld under section 9(2)(a)
55	TNZ RUC22 Consultation	Released in full.

56	Tranzit Group feedback on RUC Consultation Document 22042022	Some information withheld under section 9(2)(a)
57	Wareing Group RUC Submission - April 2022	Released in full.
58	Z Energy submission_Road User Charges Consultation 20220422	Released in full.

21 April 2022

Road User Charges consultation  
Ministry of Transport  
PO Box 3175  
Wellington 6140

By email: [RUCconsultation22@transport.govt.nz](mailto:RUCconsultation22@transport.govt.nz)

## Canterbury Regional Transport Committee submission on Road User Charges

1. The Canterbury Regional Transport Committee (RTC) thanks the Ministry for the opportunity to make a submission on the funding of the transport system and Road User Charging.

### Background and context

2. The RTC comprises the authorised organisations who plan transport activities in the region. The members are representatives of the nine territorial local authorities in Canterbury, the Canterbury Regional Council (Environment Canterbury), and Waka Kotahi. The purpose of the committee is to set the direction for transport investment in the region in the Regional Land Transport Plan and monitor the implementation of the Plan to meet the needs of Canterbury's communities.
3. All members actively participate in the committee. Kaikōura, Hurunui, Waimakariri, Selwyn, Ashburton, Timaru, Mackenzie, and Waimate District Councils, Christchurch City Council, Canterbury Regional Council (Environment Canterbury) and Waka Kotahi.
4. We note that member organisations may also make individual submissions. We support careful consideration of these submissions.

### The Committee's Regional Land Transport Plan

5. The RTC approved the Canterbury Regional Land Transport Plan (RLTP) in June 2021, which sets out the RTC's four key priorities for the next ten years.
6. One of the key objectives of the Plan is:
  - *Improved advocacy for investment in the Canterbury Transport Network.*
7. This is monitored through the investment in Maintenance, Operations and Renewals.
8. Road User Charges are a critical source of income for investment in the network. Our main interest is Section 2 of the discussion document "*Using the RUC Act to do more than recover road costs*". We welcome this opportunity to provide Canterbury's view on the matters in the discussion document.

## General Comment

9. The approach we have taken in this submission is to focus on **the desired future state** of Road User Charges which would require a holistic and integrated review of the broader transport funding system to achieve. Our view is that until an integrated, holistic review is undertaken the challenges facing the future of transport funding will not be adequately resolved. We have focused on the **outcomes** we seek, and not specified **how we consider** this could be achieved. Ultimately, road users will still face multiple, unintegrated systems of charging until an integrated approach is taken.

## Setting of Road User Charges based on actual and reasonable costs

10. **We agree** that Road User Charges should be set based on the actual and reasonable costs to build, operate and maintain a road network, and charged per kilometre travelled per vehicle. This includes cost related to:
- road surface maintenance
  - managing demand
  - emergency repairs and recovery
11. **We also support** the setting of RUC to consider and cover direct environmental damage, such as pollution from particulate matter, copper and zinc deposited by vehicles in the road environment.
12. Canterbury has the largest road network in New Zealand. Maintenance spending on the network has almost doubled over the last 10 years, due to changes in land use, population, freight movement, and tourism. These changes in network use are expected to continue. It's imperative to ensure the Cost Allocation Model is sufficiently set to cover all these costs. Continually increasing rates is not the appropriate mechanism. Local rates shouldn't be expected to cover gaps in funding and investment.
13. We consider all the costs to manage and maintain roads should be borne by road users, such as:
- curbing and channelling (and other treatment devices) to manage stormwater run off
  - putting in intersection controls to manage demand
  - repairing potholes and other ongoing maintenance (e.g. re-metaling treating dust on unsealed roads)
  - reinstatement works after a disruptive event, e.g. flooding, landslips.
14. The road charges should cover these real and actual costs from road use and ensure the roads are fit for purpose for all users. We appreciate that the Cost Allocation Model is set using best economic practice, however factoring in direct environmental damage is the emerging best practice to transition to a sustainable future.
15. Emergency repairs and recovery is a key part of providing the road network for users. The Canterbury network is exposed to a number of risks such as flooding, earthquakes

and coastal inundation. It is imperative that the cost of managing and recovering from events, can be funded appropriately. For example, Canterbury regularly experiences flooding, including river flooding, surface flooding and coastal inundation. With over 1,000 bridges in Canterbury, these events can result in major disruption for freight operators and those travelling on the roading network. A single bridge being out across State Highway 1 can mean daily intra/inter-regional trips are not possible.

16. Pollutants from tyres and brake pads, such as particulate matter, copper and zinc, directly accumulate on road surfaces because of road use and can end up in the air and water if not managed. This needs to be managed through road design and infrastructure, so these pollutants do not become environmental issues. For example, run off from the road surface into nearby waterways can harm aquatic ecosystems and affect mahinga kai. Road run off needs to be channelled into the appropriate stormwater systems. This would align the transport sector approach with the resource management sector, where the polluter pays. Road users who pollute the road environment pay the cost of managing that.
17. **We do not agree** that Road User Charges should cover the cost of step change initiatives, such as emissions reduction. We need the appropriate funding mechanisms that support large scale improvements. We recognise that emissions reduction within a short timeframe is essential. These interventions need to be funded from sources such as Fuel Excise Duty (FED), the Emissions Trading Scheme or other sources of government financing. We support the Ministry seeking climate emergency funding to enable this transition.
18. We see a review of FED as key. FED could be charged on all fossil fuels and be used as a transport behaviour change tool with revenue going towards the costs for road users and the road networks to transition to a low emissions future. The ETS charges contained in fuel costs are insufficient for the pace of change needed, as transport is seen as low hanging fruit to achieve emission reduction targets. FED should be set with the Ministry of Transport to ensure the Ministry has sufficient sphere of control to achieve emission reduction targets. For example, as much as 40 per cent of road transport greenhouse gas (GHG) emissions in Canterbury can be attributed to the movement of freight. Diesel consumption is closely correlated with transport freight GHG emissions. FED could provide financial support for heavy vehicle owners to purchase and operate zero emission vehicles.

### **Collecting Road User Charges**

19. **We agree** that all vehicle users should begin to pay road user charges, irrespective of fuel; electric, hydrogen etc. This should also increase the amount of RUC collected and spread it across a broader section of road users. Using fuel type is no longer a fit for purpose factor for road user charging. As energy technology changes, and we transition to a low emissions transport system, no or low emission vehicle users will quickly become the core road users. Use of these vehicles will still create costs in relation to:
  - road surface maintenance
  - managing road run off



- managing demand
  - operations
  - emergency repairs and recovery.
20. It is essential that sufficient funds are recovered from these users to invest in building, maintaining and operating the road network. We do not support any approach that would lead to less funding being available than what there is now.
21. We request strong consideration of transport affordability in the setting of Road User Charges. A robust approach to the phasing in of any changes is also essential as many households are facing escalating cost of living, without commensurate rises in income. There are likely to be unintended consequences as we shift to a new funding model that should be appropriately factored in.
22. **We do not agree** that the GPS should set exemptions for RUC as RUC is required from all network users to maintain the network, with equity and accessibility being the exceptions. As the GPS is reviewed frequently it could destabilise the revenue stream if exemptions also changed frequently. Transport investment takes a long time to plan, and revenue models need to be stable to give assurance around income.
23. **We agree** that exemptions should be provided through RUC and take an equity lens, based on accessibility.
24. The exemption should include all public transport vehicles, including Community Vehicle Trust vehicles<sup>1</sup>, due to the significant public benefit it provides. We recognise Public Transport (PT) is under significant funding pressure to support the transition to a low emissions future. We support the current RUC exemption to remain in place for public transport services until a permanent public benefit and equity based exemption for public transport is in place, possibly extending past the current exemption end date at the end of 2025. This will undoubtedly assist in reducing barriers to transition to zero emission buses for Public Transport services in Canterbury.
25. Given the minor level of expenditure on PT RUC in Canterbury, compared with the level of investment outlined in the RLTP, we consider an exemption for PT is potentially affordable within the period of the plan, but recognise an exemption for PT may be less affordable in the subsequent years. By that time the PT transition should be well established and PT usage in a low emissions future network should be clearer too. This will make the future funding system for transport clearer. We see this as suitable for PT to be exempt from RUC under an equity-based exemption policy.
26. Exemptions and/or discount zones should also apply to rural households, school buses or Community Services Card holders who are a certain distance from essential services like hospitals and schools. This is especially important as we transition to a low emissions future for rural communities that cannot access essential services by low emission modes such as walking, cycling or public transport.

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<sup>1</sup> Community Vehicles are rural and provincial public transport services in Canterbury  
[www.communityvehicletrust.org.nz](http://www.communityvehicletrust.org.nz)

27. **We agree** to the provision of exemptions for reasons of practicality on a case-by-case basis. This includes heavy vehicles that do not usually travel on public roads, like airport fire engines or farm vehicles which infrequently use public roads to obtain a Certificate of Fitness. Calculating and charging RUC in these situations is not cost effective and can be impractical to apply. These case-by-case exemptions do not need to be defined in legislation but can be delegated to the Director of Land Transport.

## **Expenditure and Distribution of Road User Charges**

28. **We agree** that the expenditure of Road User Charges should be broader than the maintenance of the network. A proportion of the revenue should be invested in transitioning the system to a future state that is more efficient and effective. For example, improving public transport uptake which reduces cars on the road and lowers maintenance costs.
29. We are aware that in transitioning to a low emission future there may be a need to permanently provide electric vehicle infrastructure in locations that are not commercially viable. Waka Kotahi has a plan to develop and operate publicly available EV charging stations in Canterbury<sup>2</sup>. The cost of building, operating and maintaining public EV infrastructure should be funded by Road User Charges as a future permanent aspect of the network.
30. We agree that the distribution of the revenue from Road User Charges needs to be aligned to where the damage is incurred. This is so RUC is more directly applied to address the impacts of road use, and the building, maintain and operating of that road network, as this is the basis on which it is charged. We do not support a system where collected Road User Charges are inequitably distributed to other parts of the country, for example when a head office based in the North Island purchases large amount of Road User Charges but the trucks are running on roads in the South Island. The system needs to better support the collection being aligned with the distribution.
31. We seek greater alignment of funding investment with land transport regional priorities. We do not support a system where Road User Charging is inequitably distributed to other parts of the transport system such as coastal shipping. There may be other funding mechanisms more suited to this, which need to be explored through a holistic and integrated review of transport system funding.

## **The Funding System**

32. **We agree** that the RUC system needs to be very simple, easy and low cost to use and administer. The use of technology is paramount in doing this, in reducing the overheads to administer, and improving ease for road users. It will be important to use technology to ensure funding such as FED and RUC are charged appropriately and there is no overlap, double dipping or misallocation of funds towards other parts of the transport

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<sup>2</sup> <https://www.nzta.govt.nz/assets/planning-and-investment/docs/ev-public-charging-facilities-south-island.pdf>

system. We need to make it easier for our communities to see where RUC is collected and where it is spent.

33. We support FED being used to fund significant improvements and transitions, rather than for costs which can be recovered by a Road User Charge applied to all vehicles. That may be dependent on Fuel Excise Duty being reviewed and may need to be proportionally adjusted or phased in to allow users to adjust to the RUC cost increases. As mentioned previously, we would like the Ministry to consider unintended consequences and consider phasing in of this approach, and a wider review of transport system funding.
34. We support Fees and Charges revenue to be used to pay for the costs of providing driver's licencing, WOF and registrations etc. As per the current consultation on the setting of fees and charges, currently these services are underfunded<sup>3</sup> and need supporting to ensure our transport network is safe.
35. We support an integrated, simple system to collect funding to support the road network. This includes road pricing, fuel excise duty, fuel taxes outside of Auckland, as well as road user charges and Waka Kotahi's fees and charges. It also needs to consider the role of developer creating more growth and the transport costs they need to cover e.g. new subdivisions and intensification of existing areas.
36. Overall, the funding system for transport needs to be fully reviewed together so that there is clear funding system for road, rail and coastal shipping.

## Conclusion

37. Thank you once again for the opportunity to make a submission on the discussion document. Our secretariat is available to provide any further information or answer any question the Ministry may have about our submission. Contact details are Clare Pattison, Senior Strategy Advisor, s 9(2)(a)

Yours faithfully

s 9(2)(a)

Cr Peter Scott  
Deputy Chair, Environment Canterbury  
Chair, Regional Transport Committee

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<sup>3</sup> <https://www.nzta.govt.nz/media-releases/waka-kotahi-begins-consultation-on-changes-to-regulatory-fees-and-charges/>



22 April, 2022

NZ Automobile Association submission on:  
**Review of the Road User Charges Scheme**

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT 1982



**SUBMISSION TO:** Ministry of Transport

**REGARDING:** Review of the Road User Charges Scheme

**DATE:** 22 April 2022

**ATTENTION:** RUC Consultation 2022

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## Executive Summary

The New Zealand Automobile Association (NZAA or AA) welcomes the opportunity to provide comment on *Te huringa taraiwa: Te arotake i te punaha utu kaiwhakamahi rori* | Driving Change: Reviewing the Road User Charges System.

The document explores proposals in three areas:

- Using the RUC Act to do more than recover road costs
- Improving the RUC system for end users
- Technical amendments to the RUC Act

In response to the proposed changes, the submission sets out some specific changes that we do or do not support. However, considering the large number of questions (89), we have only addressed those considered to be of most relevant to our Members.

The AA strongly supports the continued policy of using RUC as a mechanism to allocate charges for the use of our roads based on the costs each vehicle causes. The simplicity of the scheme is a reason it has been recognised as world leading. Therefore, the AA is opposed to proposals that would damage this simplicity – for example by adding in externalities that in most cases are already subject to some other policy intervention. Accident costs and greenhouse gas (GHG) emission costs are two clear examples of where drivers are already paying for them through other fees.

The AA is strongly opposed to the introduction of any additional charges which cannot be directly and accurately linked to the costs of individual vehicle use as this is inconsistent with the founding principles of the RUC system.

The AA does support improving the RUC system for easier use and to attain administrative cost savings. It welcomes the proposals to remove the requirement to physically display RUC and registration labels on vehicle windcreens.

### 1. What changes are needed to make RUC work more effectively

#### 1.1 Including externalities in the costs considered in when setting RUC rates

It is proposed to broaden the purpose of RUC to include consideration of road safety, regulatory development, vehicle emissions, smart infrastructure and other externalities in setting RUC rates. These externalities could include environmental damage, such as air and water pollution, noise pollution, road damage, accidents or other harms such as congestion.

Currently, other than road damage, these externalities are not explicitly considered when setting RUC for diesel vehicles or FED rates for petrol cars. Therefore, as noted in the discussion document, using RUC to charge motorists for externalities other than road damage would be a significant shift in taxation policy generally and RUC specifically.

The AA does not support the inclusion of externalities when setting RUC rates. A number of the externalities listed are already covered by existing taxes and chargers and the inclusion of new charges would duplicate these and lead to higher RUC rates, imposing an adverse cost impact on motorists. As a result travel will become more expensive, adding costs to many of our Members' mobility and to freight and goods. It is unclear how they would be balanced against the benefits that driving also delivers to New Zealanders' lives. If such externalities were going to be charged for land transport but not across other sectors or aspects of people's lives then this could simply be seen as a tool for revenue raising.

New Zealand taxation policy is generally intended to be neutral and not change behaviour. Currently only four forms of taxation are targeted at behaviour change: the Emissions Trading Scheme (ETS), the problem gambling levy, and tobacco and alcohol excise. It could be said that the Clean Car programme could also be seen as a form of taxation, aimed at changing motorists purchasing behaviour. The payment of the gambling, alcohol and tobacco taxes involves a significant element of choice, whereas a significant proportion of travel can be considered a necessity. The vast majority of RUC payers also pay the ETS contribution when purchasing petrol and diesel and these funds are hypothecated to emission reduction programmes. In addition, purchasers of high emitting newly imported vehicles also pay fees to reflect these environmental costs. We do not support the addition of further behaviour change taxes targeting environmental impacts.

The AA also does not support the inclusion of noise pollution charges in RUC because we see this as particularly unworkable and consider it would 'open a can of worms' in terms of determining which situations qualify for noise mitigation investment and what rates should apply to different vehicles. To allocate a portion or percentage to include in RUC would be arbitrary and the AA is unaware of any formula that could be used to allocate noise pollution costs considering the variation in noise that could exist between individual vehicles and how, where and when they are used. We also point out that noise pollution and mitigation is a factor that gets taken into account during the consenting process for building and upgrading roads.

Finally, the AA does not support the inclusion of charges for the cost of accidents within RUC as the ACC levy is currently incorporated within a vehicle's registration and fuel excise duty. This levy is calculated to reflect the health costs from road crashes and it would be a duplication to add accident costs to RUC a second time.

## 1.2 Including impacts on greenhouse gas emissions when setting RUC Rates

The AA opposes including the impacts of greenhouse gas emissions when setting RUC rates because we believe there are other policies already in place that address GHG emissions.

The proposal to consider GHG emissions when setting RUC is based on the premise that vehicles powered by low-carbon fuels are currently more expensive to purchase (as in the case of an EV or purchasing biofuel for internal combustion engine (ICE) powered vehicles). It appears the proposal is to add additional costs to the RUC with an eye to allowing exemptions for low-carbon vehicles.

RUC exemptions and reduced rates are not cost effective tools - they add to administrative costs plus they undermine the principle that all vehicle users should pay fairly for the use of the roads,



both building and repair, to fairly contribute to road maintenance and upgrades, as well as to road policing, public transport and walking and cycling projects.

The rationale behind this proposal appears flawed because first we have the Clean Car Programme, which is designed to lower the cost of low-carbon vehicles and increase the cost of high emitting vehicles, thereby attaining better price parity between the two technologies. Secondly, CO<sub>2</sub> is already priced into petrol and diesel via the ETS. Already the ETS adds about 18.5-20c per litre of petrol and diesel at the current price of carbon in the NZ ETS scheme (approximately \$75-\$80 per tonne). Overtime it is expected that the price of carbon in the scheme will increase to \$250/tonne thereby sending a clear price signal to motorists as intended by the scheme.

These mechanisms are designed to offer the most effective outcome possible, thereby making the consideration of including GHG in RUC unnecessary and a duplication of existing policies.

Although the inclusion of hydrogen fuel-cell electric vehicles, and hydrogen as fuel, has some merit, other policy interventions to support the technology uptake would be more effective.

### 1.3 Including fuel type, origin and blend in RUC Rates

The Ministry has concerns about the potential negative environmental and social impacts some alternative fuels could have. However, the Government has introduced a biofuels mandate that will promote the use of biofuels. The mandate requires that the biofuels meet strict sustainability standards. Therefore, given the administration of any scheme would be potentially onerous, the AA doesn't support this proposal.

## 2. Improving RUC Systems for the End User

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

It is proposed to change the RUC Act to allow for partial RUC rates to be set lower than full RUC rates. These partial RUC rates would be used mainly once the exemption from RUC is lifted for electric vehicles. The partial rate would recognise that plug-in hybrid electric vehicles (PHEV) use petrol and pay FED and it is administratively more efficient to pay a partial rate than pay a full rate and then seek a partial refund. The AA supports this change.

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

The AA does not support variable RUC rates based on GHG emissions. The AA's position is that all road users should pay a similar and equitable contribution to building and maintaining our road network, as well as other transport costs, regardless of the type of fuel used to power a vehicle. Currently, other policies are in place to encourage the uptake of low emission vehicles and partial RUC rates is inequitable to other road users.

### 2.3 Exempting low emission vehicles from RUC based on distance travelled

Currently, EVs are exempt from RUC until 31 March 2024. After this date, it is proposed to change to a distance-based exemption, e.g. an EV would be exempt from RUC for the first 10,000km. This will allow for a better estimate of foregone revenue, would be straightforward to implement and would smooth out applications for RUC when exemptions lapse. The AA supports this proposal. However, the AA also considers the Clean Car Programme to be a more effective policy intervention to encourage the uptake of EV's and suggest that even if distance based, the EV exemption be removed gradually prior to 31 March 2024.

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

The AA supports the removal of the requirement to display a paper RUC label on a vehicle's windscreen. This would reduce costs to the owners of 800,000 light diesel vehicles and in other countries removing similar requirements to display a physical licence has not affected compliance.

If the requirement was removed, the AA would like to see a more robust reminder scheme implemented because the vehicle owners will not have a readily available label to view on their windscreen as a reminder. This could be by txt, email or physical letter based on their average recorded travel pattern.

### 2.5 Allowing for the purchase of RUC licenses in amounts less than 1,000km

The AA supports this proposal because it allows flexibility to the owners of some light vehicles and older vehicles that are intermittently used. The change would also allow for vehicle owners to purchase RUC based on their available budget, e.g. \$100 rather than a fixed distance interval, which would benefit some motorists with no downsides.

### 2.6 Removing the requirement to display other transport paper labels

The AA supports the proposal to remove a paper registration label because it offers an opportunity to reduce administrative costs. The AA welcomes the development of an on-line tool to assist with vehicle owner's compliance with vehicle licencing and RUC obligations. We also support retaining the option to request a physical vehicle licence label as a reminder for our members that don't have internet or phone app connectivity.

### 2.7 Assisting new RUC payers to commence paying RUC

When the light EV exemption ends on 31 March 2024, the RUC system will have an influx of tens of thousands of new users, many of whom will potentially be unfamiliar with RUC. Also, Waka Kotahi will need to know the odometer reading of each EV on, or the day before, the exemption ends as a starting point for each EV RUC.

To spread the load, the AA proposes that the exemption instead expire on the date each vehicle's WOF expires. In the case of new vehicles with a three year WOF period, the date would be when it's due for its warranty servicing. This would allow the collection of odometer readings and these being logged into the system. It would also stagger the introduction of the RUC charges so that there is not a sudden dramatic load put on the system on 1 April 2024.

Alternatively, the AA recommends that every EV be subject to RUC prior to 31 March 2024 and the owner charged a zero fee rather than an exemption so that the EV data is entered into the system and the owners become familiar with the system prior to the exemption expiring.

### **3. Technical Amendments to the RUC Act**

#### **3.1 Changing the Warrant and Certificate of Fitness requirements so the assessor must report evidence of odometer tampering**

The AA supports the accurate measurement of distance for the purposes of RUC. It supports accurate odometers in vehicles because distance travelled by a vehicle is an important indicator of potential wear and tear and the need for servicing and maintenance.

However, the AA believes it would be extremely difficult in the real world to detect devices installed to secretly stop or alter odometers. In some cases they may simply be removed prior to a WOF/COF inspection then reinstalled.

We are also concerned about the ability of WOF/COF assessors to accurately determine if an odometer has been tampered with and who would pay for any subsequent specialised inspection if it turned out that the odometer had not been tampered with. A mistake by the original assessor would mean the loss of a customer and raises issues around the willingness of the assessor to refer a vehicle for further inspection.

It appears that only a very small number of vehicles would be tampered with and the costs associated with inspecting every vehicle to capture this very small subset would appear to greatly outweigh any benefits. Therefore, the AA doesn't support the inspection of odometers and the reporting of suspected tampering.

#### **3.2 Clarifying the definition of accurate for a distance recorder in a light vehicle**

The AA refers you to the International Organization of Legal Metrology, International Recommendation R55 that covers speedometers, mechanical odometers & chronotachographs for motor vehicles, which states maximum permissible tolerances.

We note that most light vehicles over-record the speed they are travelling to protect the manufacturer from being sued for speeding offences due to a faulty speedometer. The over-recording varies greatly between vehicle manufacturers. Speed and distance travelled are usually determined by the same reading device.

## About the New Zealand Automobile Association

The NZAA is an incorporated society with over 1.8 million members, representing a large proportion of New Zealand road users.

The AA was founded in 1903 as an automobile users' advocacy group, but today our work reflects the wide range of interests of our large membership, many of whom are cyclists and public transport users as well as private motorists.

Our advocacy takes the form of meetings with local and central government politicians and officials, publication of research and policy papers, contributing to media on topical issues, and submissions to select committees and local government hearings.

We are guided in our advocacy by our extensive network of activities across New Zealand, which helps the AA to develop a comprehensive view on mobility issues. The motoring public regularly come into contact with the AA through our breakdown officers, 36 AA Centres and other AA businesses. Meanwhile, 18 volunteer AA District Councils around New Zealand meet each month to discuss local transport issues, supported by our professional policy and research team based in Wellington and Auckland. We regularly survey our Members on transport issues, and Members frequently contact us unsolicited to share their views. We also commission original research into current issues in transport and mobility via the AA Research Foundation.

Motorists pay over \$4 billion in taxes each year through fuel excise, road user charges, registration fees, ACC levies, and GST. Much of this money is reinvested by the Government in our transport system, funding road building and maintenance, public transport services, road safety work including advertising, and Police enforcement activity. On behalf of AA Members, we advocate for sound and transparent use of this money in ways that improve transport networks, enhance safety and keep costs fair and reasonable.

### Total Membership

1.8+ million members

Over 1 million are personal members

0.7 million are business-based memberships

### % of licenced drivers

Around 29% of licensed drivers are AA Members

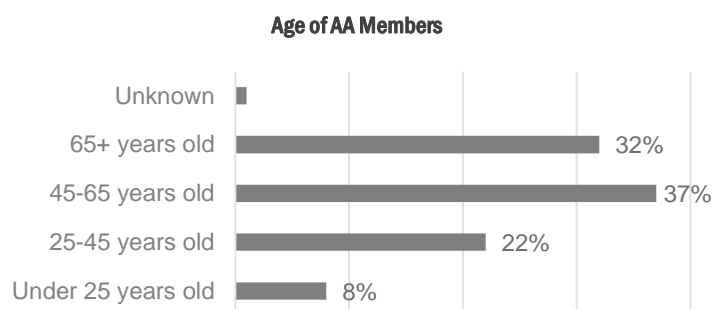
### Gender split

54% Female

46% Male

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### Age range & Membership retention



Half of AA Members have been with us for 10 years or more.

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OFFICIAL INFORMATION ACT 1982

29 April 2022

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Te Manatū Waka Ministry of Transport,  
PO Box 3175,  
Wellington 6140

By email: [RUCConsultation22@transport.govt.nz](mailto:RUCConsultation22@transport.govt.nz)

## **Auckland Transport's Feedback on Driving Change: Reviewing the Road User Charges System**

### **1 Introduction**

- 1.1 Auckland Transport (AT) welcomes this opportunity to provide feedback to the Ministry of Transport (the Ministry) on the Road User Charges (RUC) System review (the review).
- 1.2 AT is a council-controlled organisation of the Auckland Council. This technical submission represents the views of AT as a statutory entity responsible for providing local transport services in Auckland.
- 1.3 We agree that changes to the RUC system are necessary, but we also consider that changes to the wider system of funding and investing in transport are required.
- 1.4 In our view, New Zealand's transport funding and investment model is no longer sustainable and is failing to enable transport and wider outcomes for Auckland.
- 1.5 Changes to the underlying philosophy of the RUC system, including whether to charge for externalities, would in our view be much more enduring and effective if considered alongside a review of the underlying philosophy of the transport system as a whole.
- 1.6 Major questions need to be answered not just in relation to RUC, but transport funding and investing more broadly: what is transport for? Who should pay for it? How should they be charged? Who should decide where resources are allocated?
- 1.7 It is, in our view, neither efficient nor effective to ask such questions of RUC independent of the transport funding and investment system more generally.
- 1.8 It is necessary, we consider, to rapidly accelerate this wider work to address serious and immediate funding and investment challenges today.
- 1.9 Our submission has been developed in two parts. The first (covering sections 2-6) provides a high-level overview of issues with the current transport funding and investment model and the characteristics that we consider would make it more efficient, effective and safe. The second section includes direct technical responses to the questions in the discussion document.
- 1.10 We thank the Ministry for this opportunity to provide feedback.

## **2 We agree with and support the reasons for the review**

- 2.1 AT notes that the vehicle fleet has changed significantly over the past two decades, including via an approximate doubling in the share of light vehicles paying RUC and contributing to RUC revenue.
- 2.2 But we also note that the increase in the number of RUC vehicles is occurring alongside a decrease in the proportion of Fuel Excise Duty (FED) vehicles.
- 2.3 We agree that externalities including carbon emissions and congestion are not well reflected in New Zealand's current transport charging model.
- 2.4 But the deficiencies in the way these costs are measured and priced are as true for FED as they are for RUC.
- 2.5 We agree that the rising use of electric and other non-conventionally powered vehicles justifies consideration of when and how these vehicles should be charged for road use.
- 2.6 But a further significant revenue issue today is the relative decline in FED revenue resulting from improved fuel efficiency.

## **3 The wider NLTF model is in need of review**

- 3.1 Thus, while we support a review of the RUC system, we consider that for every reason to conduct this review today there is an equivalent if not greater reason to review the FED system.
- 3.2 We note that any reform of RUC principles or charges that does not result in equivalent changes to FED will lead to different price signals to road users. Users can be expected to modify their response, for example, by changing their vehicle to avoid higher or take advantage of lower prices, potentially undermining any given initiative.
- 3.3 We therefore consider that any material changes to RUC, including decisions impacting carbon pricing, congestion or electric vehicles, will need to be reflected in the FED system.
- 3.4 Noting that some 95 per cent of the National Land Transport Fund (NLTF) is sourced from FED and RUC,<sup>1</sup> we consider that issues outlined in the discussion document are as much issues with the wider NLTF system as they are with RUC.
- 3.5 We agree that the wider NLTF system is in need of a comprehensive review.

## **4 New Zealand's transport funding and investment model is no longer fit for purpose**

- 4.1 We further consider that it is not just the NLTF component of New Zealand's system of resourcing and investing in land transport that needs urgent review.
- 4.2 The National Land Transport Programme 2021-2024 (NLTP) signals \$24.3 billion of spending across the period. Around half of this expenditure is covered by RUC and FED and almost two-thirds by the NLTF (\$15.6 billion including \$2 billion of debt finance and \$830 million for rail). A further \$4.8 billion (20 per cent) is contributed by local government and \$3.8 billion (16 per cent) by the Crown.
- 4.3 This wider model itself is, in our view, no longer fit for purpose and requires urgent reform.
- 4.4 Based on our experience in Auckland, we identify five major issues with New Zealand's current transport funding and investment model.

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<sup>1</sup> Ministry of Transport, Driving Change Consultation document, February 2022, p. 11.



#### **4.5 Issue 1: The model is no longer sufficient to fund objectives**

- 4.5.1 Auckland cannot substantively achieve agreed transport outcomes with existing resources.
- 4.5.2 Through the Auckland Transport Alignment Project (ATAP) partnership between central government and the Auckland Council, and replicated in AT's Regional Land Transport Plan 2021-2031, five strategic transport priorities have been agreed:
- Travel choices – Provide and accelerate better travel choices for Aucklanders
  - Climate change and the environment – Improve the resilience and sustainability of the transport system and significantly reduce the GHG emissions it generates
  - Access and connectivity – Better connect people, places, goods and services
  - Safety – Make Auckland's transport system safe by eliminating harm to people
  - Growth – Enable and support Auckland's growth through a focus on intensification in brownfield areas and with some managed expansion into emerging greenfield areas
- 4.5.3 AT is committed to progressing these priorities. Working with partners including the Ministry, Waka Kotahi and the wider Auckland Council family, we have modelled multiple land use-transport scenarios to identify the optimum mix of investments aligned with these objectives.
- 4.5.4 Modelling indicates that the “strategic” indicator for only one of these transport priorities is in line with broader regional aspirations: deaths and serious injuries are projected to reduce by 67 per cent over the next decade, putting the region on track to achieve zero deaths and serious injuries by 2050.
- 4.5.5 Other objectives remain beyond the reach of available resources, including carbon emissions, where a per capita decrease of around 13 per cent over the forecast period is offset by population growth of 22 per cent. This level of performance leaves Auckland well behind government and regional aspirations to achieve net zero emissions by 2050.
- 4.5.6 A key barrier to lowering emissions is the availability of carbon neutral transport options. Resources are not sufficient to fund a public and active transport network which provides a competitive alternative to private vehicles. Thus, while the RLTP projects that an historically strong 64 per cent of morning peak employment growth will be met by public and active modes, this figure is well short of the 100 per cent target.
- 4.5.7 With around a third of new morning peak trips to be taken by private vehicle over the next decade, morning peak congestion can be expected to deteriorate, reducing access to employment. Modelling indicates drivers will spend 36 per cent of time in congested conditions in 2031, up from 32 per cent in 2016.
- 4.5.8 Across Auckland's fifth strategic transport priority, growth, major differences have emerged between the expectations of government that more development capacity is unlocked and the region's ability to support development with infrastructure. Prior to new direction for Medium Density Residential Standards (MDRS), AT was already challenged to fund new transport infrastructure to support development in all nine spatial priority locations. With MDRS, AT is still expected to resource these priority locations, plus additional unplanned growth distributed across the metropolitan area.
- 4.5.9 If AT cannot resource the investments needed to meet MDRS-enabled growth, growth will still occur but without the services in place to promote transport outcomes. Performance across safety, emissions, transport options and accessibility will reduce below projected levels described above.
- 4.5.10 In addition, funding is yet to be confirmed for the proposed \$15 billion Auckland light rail project or an additional Waitemata harbour crossing, including the post-construction



operating costs of these initiatives. Uncertainty surrounds whether such projects, if and when they proceed, displace or offset other anticipated funding.

- 4.5.11 Inflationary pressures, enhanced expectations for environmental mitigation including emissions reduction and stormwater treatment, changing attitudes to safety, and other factors are all increasing investment demands.
- 4.5.12 There simply is not sufficient resourcing in the current transport funding and investment model to fund these demands.
- 4.5.13 Without additional resourcing, greater dependence on non-investment interventions, such as travel demand management, speed reduction and enforcement, parking fee increases, and general regulation will be required.
- 4.5.14 Such interventions are longstanding, efficient, effective and appropriate options to achieve transport and other public objectives.
- 4.5.15 But, if used to compensate for a lack of resourcing, these measures risk a high level of public pushback and customer dissatisfaction.
- 4.5.16 It may be the case that higher levels of investment deliver a superior public outcome, but without resourcing this option will become increasingly precluded, resulting in lower overall wellbeing.

#### **4.6 Issue 2: The model is poorly incentivised**

- 4.6.1 The core issue affecting New Zealand's transport funding and investment system is that the funding model is predicated on recovering the direct costs of the transport system from users while the investment model is increasingly oriented to promotion of transport and wider economic, social, cultural and environmental public outcomes.
- 4.6.2 This approach depends on a comparably small component of society (transport users) to resource outcomes which benefit all of society.
- 4.6.3 It also largely ignores indirect transport costs, which are externalised.
- 4.6.4 The result is a transport funding and investment model which subsidises and cross-subsidises all activities to an extent which makes it impossible for participants in the system to know, understand, and respond to the true costs and benefits of public and private decisions.
- 4.6.5 For example, *net* user contribution to the NLTF is only provided by private vehicle users. Other users, including of public transport and active modes, receive partial subsidy from private vehicle users (and rate and taxpayers).
- 4.6.6 However, private vehicle use receives its own subsidy, in the form of ratepayer and taxpayer contributions to roading operations and improvements.
- 4.6.7 Furthermore, a range of social and environmental impacts are not accurately priced into on-road activities, providing a further de facto subsidy.
- 4.6.8 The nature of this transfer system means that private vehicle users are receiving one price signal telling them that the costs of their decisions are higher than they otherwise would be and another telling them that they are lower.
- 4.6.9 At the same time, public transport and active mode users receive one price signal that their decisions are relatively cheap (because they receive a subsidy from road users and taxpayers), but also comparatively expensive (because environmental impacts are not factored into private vehicle use).
- 4.6.10 In an intensifying city like Auckland, or indeed all New Zealand cities under new Medium Density Residential Standards, reallocation of private vehicle charges and duties to public

transport will increasingly transfer the benefits of investment not just to public and active transport users but to landowners benefitting from improved accessibility.

- 4.6.11 Higher land values, in turn, increase the costs of transport provision. Property rates adjustment, however, to align charges with benefits, encounters strong public opposition from residents who generally consider public and active transport to be a public good.
- 4.6.12 Likewise, improved economic opportunities and performance linked to quality transport services is traditionally measured via travel time savings, but in practice results in improved productivity, more competitive land markets, and greater equity of access to services, education and employment. Yet, until very recently, the Government has relied overwhelmingly on use-based charges and property rates to fund initiatives that enhance general taxation revenue and mitigate central government social costs.
- 4.6.13 As a result, both local authorities and users have at times been challenged to justify benefits commensurate with their share of transport investment, increasing opposition to higher levels of expenditure to meet agreed needs.
- 4.6.14 At the same time, central government has been challenged to understand, at least publicly, why more investment has not flowed into activities which would have, among other things, supported more affordable land supply or higher productivity.
- 4.6.15 In sum, the current transport funding and investment system is so heavily mis-incentivised it is no longer possible for either users or beneficiaries to make informed decisions.
- 4.6.16 This dynamic is, in our view, contributing to an untenable situation where, in general terms, users think they are paying too much, and beneficiaries think they deserve more.

#### **4.7 Issue 3: Investment and revenue decisions are increasingly politicised**

- 4.7.1 Different incentives created by the existing mix of cost allocations and benefits accrual has materialised as differing views of investment priorities and politicisation of transport decisions.
- 4.7.2 Where local authority investment has not flowed, either in sufficient volume or to areas expected by central government, concerns have in the past been publicly expressed. The early years of City Rail Link project development provide one example.
- 4.7.3 Likewise, when local government has disagreed with central government project prioritisation, similar levels of opposition have in the past been expressed. The early years of Puhoi to Wellsford project development provide one such example.
- 4.7.4 In a transport context where responsibilities are shared across central and local government, high levels of politicisation have the effect of slowing, rather than accelerating, decision making. Agreement is harder, not easier, when the evidence base is muddled by myriad subsidies, philosophies and perspectives.
- 4.7.5 In Auckland, ATAP has helped improve central and local investment alignment over the long term, thereby reducing the likelihood of political disagreement.
- 4.7.6 But these and other initiatives have not been sufficient to overcome heavy politicisation, with one serious and undesirable outcome being the politicisation of transport modes.
- 4.7.7 Transport investment prioritisation will always contain elements of judgement on issues of high emotional, cultural, strategic, fiscal and political importance. But it is possible through strategic planning, rigorous analysis and engagement to address most areas of disagreement, if costs and benefits are transparent and allocated appropriately.
- 4.7.8 It is pleasing that Government has in recent years increased direct transport investment in support of Government priorities. However, weak or otherwise non-transparent linkages

between Crown allocations and national benefits increases the potential for projects to be selected on the basis of shorter-term political objectives.

- 4.7.9 Without transparency of who is paying and who is benefitting, there is an increased risk of misunderstanding and poor long-term decision making. More effective projects risk being deprioritised and less effective projects risk being accelerated.
- 4.7.10 For decision makers, including AT, any system of mis-incentivisation and poor price signals risks an impossible situation where our customers and partners are simultaneously in demand of more investment in all modes and unwilling to continue to pay more for modes they do and do not use or attain benefit from.

#### **4.8 Issue 4: The system is not responding to pressures**

- 4.8.1 A major problem affecting the transport funding and investment system is not just that mixed incentives are failing to provide sufficient resources to satisfy public and political aspirations, it is that these and other issues have been present for some time, but the system has not been able to respond.
- 4.8.2 COVID-19 has materially impacted travel demand patterns and transport revenue. AT funding is currently challenged by reductions in farebox recovery and parking fees. It is not yet clear how quickly revenue will be restored, but it is clear that the current model has lacked flexibility in the face of travel decline.
- 4.8.3 Investment in transport remains vulnerable to change through both central and local political cycles, reducing wider investment certainty across industry and the development sector.
- 4.8.4 Investment demands at all levels exceed available resourcing, but options to increase or obtain investment to meet demands are limited.
- 4.8.5 Major strategic issues linked to transport, including housing supply and affordability, and carbon emissions, have not been addressed.
- 4.8.6 Financing constraints have impeded the roll-out of new services, undermining city-shaping and other transformational investment opportunities delivering intergenerational benefits.
- 4.8.7 Limited funding tools and options have misaligned investment benefits with charges, resulting in property value improvement for some at the expense of others.
- 4.8.8 Public confusion over whether transport fees and charges are user-based charges or more generalised taxation mechanisms has politicised investment in all modes, undermining long-term investment certainty.
- 4.8.9 New investment is constrained by a model dependent upon increasing vehicle km travelled while public objectives shift to decreasing travel.
- 4.8.10 Overall, existing transport funding and investment arrangements have not kept pace with technology, economic and social change, and growth, leading to rational investment demands which cannot be met.

#### **4.9 Issue 5: The system is no longer fair**

- 4.9.1 The contradictions in the transport investment model have reached a point where travel essential to the core functioning of the New Zealand economy and society is becoming harder.
- 4.9.2 ATAP modelling indicates that proportionately fewer Aucklanders will be within 30 minutes of employment in the future than today, reducing equity of access to jobs.
- 4.9.3 As access to employment becomes slower, demand for property closer to employment can be expected to rise, increasing prices. This dynamic improves employment opportunities for

wealthier residents able to locate in accessible areas and reduces opportunities for lower socio-economic groups pushed to the margins.

- 4.9.4 With limited ability to relocate closer to employment and with inflationary and other transport costs increasing, some communities and members of communities are confronted with serious accessibility barriers.
- 4.9.5 Without fair and reasonable opportunities to travel, economic, social, cultural and political engagement in society is compromised and, with it, the potential to realise local and national wellbeing.
- 4.9.6 With or without RUC reforms there is no clear evidence that property owning beneficiaries of transport investment will contribute an appropriate share of funding.
- 4.9.7 With or without RUC reforms, there remains no clear evidence that users of internal combustion engine (ICE) vehicles will pay an appropriate price for carbon and particulate emissions.
- 4.9.8 With or without RUC reforms, there is no evidence that beneficiaries of New Zealand's outcome-oriented investment model will pay the appropriate price for benefits they derive from economic and social development.
- 4.9.9 With or without RUC reforms, there is no clear pathway for Auckland to achieve its strategic transport outcomes nor, as far as we can see, for the Government to achieve its own.
- 4.9.10 It is not only RUC but the entire transport funding and investment model that requires review today, and AT welcomes the opportunity to work with the Ministry in reimagining a system which delivers equitable transport outcomes for Auckland and New Zealand.

## **5 Principles of an efficient and effective funding and investment model**

- 5.1 Based on Auckland's experience, AT has identified five transport funding and investment principles which we consider are necessary to inform a new model, along with suggested and preferred mechanisms to achieve the principles.

### **5.2 Principle 1: The overall system is sustainable**

- 5.2.1 The new transport funding and investment system must be economically, socially, culturally and environmentally sustainable.
- 5.2.2 The new system must provide sufficient revenue to achieve the objectives of the system. Whether those objectives are narrowed to focus on users and beneficiaries, or broadened to focus on local and national outcomes, there must be sufficient resourcing, including tools to obtain resourcing, built into the model.
- 5.2.3 The new system must support the transition to a competitive, productive and low carbon economy.
- 5.2.4 The new system must meet the needs of users (vehicular, pedestrian, cycling, bus, train, ferry, freight), be they residents or businesses of towns, cities or rural districts.
- 5.2.5 The new system must unlock sufficient development capacity to support competition in land and development markets and affordable housing.
- 5.2.6 The new system must support a safe land transport system where the risk of harm is minimised.
- 5.2.7 The new system must meet the needs of all communities, including Māori. Different communities have different travel needs and expectations and these must be capable of being satisfied with new arrangements.

- 5.2.8 The new system must address environmental issues. The ability for travel needs to be met without compromising the climate, freshwater quality, or biodiversity is an essential component of a future system.
- 5.2.9 The new system must be capable of aligning with resource management reforms, including funding and implementing agreed regional spatial strategies.
- 5.2.10 The new system must meet the needs of all New Zealanders now and into the future.

### **5.3 Principle 2: Beneficiaries pay for benefits and users pay for costs**

- 5.3.1 For a new system to provide the revenue needed to meet objectives, price signals must be efficient and targeted at the beneficiaries of investment and the generators of costs.
- 5.3.2 If price signals are weak, or not targeted at beneficiaries, then demand for investment will exceed available resourcing.
- 5.3.3 If activities creating costs are not required to meet those costs, then demand will be inflated and environmental and other impacts will increase.
- 5.3.4 The more targeted charges, fees, taxes and duties can be, the more efficiently prices can be set at the level at which demand for services equals supply of services, and remediation of effects.
- 5.3.5 For this reason, AT does not support, at this time, the incorporation of externalities into RUC.
- 5.3.6 RUC is an efficient, targeted cost recovery mechanism for road damage. Other mechanisms are more efficient and more targeted to achieving congestion and carbon objectives.
- 5.3.7 RUC supported by congestion charging is in our view much more likely to achieve congestion objectives in the near term. Auckland modelling through the “Congestion Question” initiative shows that a dynamically priced network, responsive to traffic demand by corridor and time of day, will send targeted price signals to users, delivering benefits to those who pay in the form of a faster, more reliable journey.
- 5.3.8 In time, there may be opportunities to implement a comprehensive national road pricing system combining RUC, congestion charging and other mechanisms. But we would not like to see opportunities to address congestion in the near term deferred in pursuit of an uncertain timeframe for more complex solutions.
- 5.3.9 Likewise with emissions, a more effective mechanism would target vehicles which emit carbon (and create other environmental effects), rather than vehicles generally. Some form of surcharge at the point of fuel purchase, combined with a RUC mechanism geared to network upkeep, will help establish an efficient price signal to users which facilitates the transition to lower carbon vehicles.
- 5.3.10 RUC exemptions should not be the mechanism to promote greater uptake of low emission (including zero exhaust emissions) vehicles including buses used in public transport. More appropriate funding mechanisms should be developed to support public transport authorities funding the transition to zero emission (at tailpipe) bus fleets and implementation of necessary charging infrastructure to achieve the Government's 2035 Mandate to decarbonise bus public transport in New Zealand.
- 5.3.11 With an updated RUC, road pricing, and carbon surcharge, users of the road network should recover the full costs of operating, maintaining and renewing the road network. The remaining gap in New Zealand's transport funding and investment system will then concern transport system improvements and the operation of services providing public benefits, most notably public transport services.
- 5.3.12 A reformed funding and investment system must be capable of borrowing against transport assets and future revenue, and off local authority and core Crown balance sheets.



- 5.3.13 The ability to debt finance capital improvements reduces the incentive of users today to oppose investments which deliver benefits tomorrow.
- 5.3.14 Project and programme finance will enable the upfront costs of capital improvements to be linked to beneficiaries.
- 5.3.15 Beneficiaries of transport investment include: users who improve from new or improved levels of service; property owners who benefit from improved levels of access; businesses that enjoy wider access to labour and markets; local authorities that expand rating bases or reduce other costs; and central government, through broader economic uplift, increased tax revenue, and lower social costs.
- 5.3.16 Active mode and public transport investment can deliver high levels of public amenity, with benefits materialising as, among other things, property value improvement, reduced general traffic demand, agglomeration efficiencies and other value. All sources of value should be leveraged to fund, finance and operate services with low user charge revenue.
- 5.3.17 Road improvements can unlock developable land, provide for travel time savings, improve safety and increase access to employment and other opportunities, among other things. Tolls, road pricing and other user charges can support development contributions and other existing mechanisms to link benefits to projects, source finance and deliver new services.

#### **5.4 Principle 3: Investment is managed independently**

- 5.4.1 Critical to enabling efficient and effective long term transport investment is depoliticising investment decisions.
- 5.4.2 How that will be done remains the subject of work inside AT, Auckland Council and Government, among others, but what we observe is that as long as local and central taxation revenue is relied upon for investment prioritisation, politicisation of transport will remain.
- 5.4.3 Major strategic investments, including for example an additional Waitemata Harbour Crossing, will always require political decision making. But more general decisions around network operations, maintenance, renewals and improvement can be made on the basis of agreed standards for asset management and alignment with strategic direction.
- 5.4.4 Hypothecation of transport revenue tied to user and beneficiary revenue, and overseen by arms-length asset and investment management, will reduce the risk of deferred asset maintenance and misaligned project selection, procurement and sequencing.
- 5.4.5 Strengthened political participation, both local and central, in strategic direction-setting and planning, enabled through reforms to the resource management system, will align the strengths of democratic decision making with technical activities.

#### **5.5 Principle 4: The system is responsive to change**

- 5.5.1 Noting major reforms to resource management, the three waters and urban planning, as well as rapid technological progress across the transport sector, a new funding and investment system will need to be flexible enough to respond to changing demands and new trends.
- 5.5.2 The system will need to support innovation. Automation, electrification, digitisation and other advancements will rapidly evolve over the term of New Zealand's next transport funding and investment system.
- 5.5.3 The system will need to support demographic change. The kinds of services demanded today may not be the kind of services demanded as populations age and evolve.
- 5.5.4 The system will need to adapt to the effects of climate change, including managed retreat and increased interruptions to services.

- 5.5.5 How a new approach ensures sufficient revenue is provided in a context of declining vehicle km travelled will be particularly important. As FED in particular reduces, so will the pool of funds available to support all modes.

## **5.6 Principle 5: No one is excluded from being a beneficiary due to cost**

- 5.6.1 Finally, whatever funding and investment model is developed, it will need to deliver a safe, affordable transport system that ensures all New Zealanders can access essential services.
- 5.6.2 Only some travel is discretionary. Most remains essential to the wellbeing of residents, communities and businesses. Employment, education, healthcare, food supply, and other essential activities are all heavily dependent upon the transport system
- 5.6.3 An appropriately incentivised system, providing sufficient revenue to ensure services meet the needs of most, will not necessarily provide for the needs of all.
- 5.6.4 All Aucklanders must be able to access employment, education and critical services. They must be able to participate in society and connect across their community.
- 5.6.5 However, rather than compromise the efficiency of pricing signals and the principle that users and beneficiaries should pay for transport services, AT considers that social support should be considered in place of a lower-cost, lower performing transport system.

## **6 Conclusion**

- 6.1 AT congratulates the Ministry on initiating a review of RUC in response to changing technologies, strategic direction and other factors.
- 6.2 However, we do not consider that substantive decisions regarding RUC alone are appropriate given the unsustainability of New Zealand's existing transport funding and investment system.
- 6.3 A full review of that system needs to be accelerated with urgency, and considerations, including how to incorporate externalities and electric vehicles into a new system, should be made in the context of the wider system of funding, financing and investing in New Zealand transport.
- 6.4 A well-incentivised system where users cover the full costs of their services and where beneficiaries (of which users are one) cover the costs of improvements will be well-positioned to respond to future challenges and opportunities.
- 6.5 AT welcomes the opportunity to engage with the Ministry on development of a new funding and investment system.

## 7 Technical responses to the discussion document

**Q8. 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 reduction of GHG emissions can be promoted, amongst other means, by modal shift from cars to PT and active modes. Transition to zero emissions buses (ZEB) delivers greater benefits through modal shift by reducing carbon emissions and air quality improvements in urban areas.

In the absence of other incentives to promote uptake of ZEBs outside of RUC exemptions, different incentives for introducing ZEBs need to be developed. The RUC system was used to incentivise transition to low emission buses (zero emissions at tailpipe) to encourage the private sector to invest in the electric fleet and realise operational costs benefits to offset the higher capital investment required to purchase e-fleets and provide the enabling charging infrastructure. The trials of electric buses in Auckland demonstrated that the RUC exemption for heavy electric bus vehicles supported the initial deployment of zero emission buses and reduced the barriers for early adoption of new technology fleets for bus public transport contracts.

**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?**

The advantage of RUC exemptions for urban e-buses is that it supports faster, earlier transition to ZEBs and lower cost to deliver PT services. It could also support achieving the Government's 2035 Mandate to decarbonise bus PT in more affordable way for Public Transport Authorities (PTA) within available funding. Case Study 1 demonstrates the benefits if cost of enabling charging infrastructure is excluded. This shows that the benefits could be eroded if the additional funding was required to renew pavements for some roads as per [new research](#) on this issue referred further below:

### Case Study 1

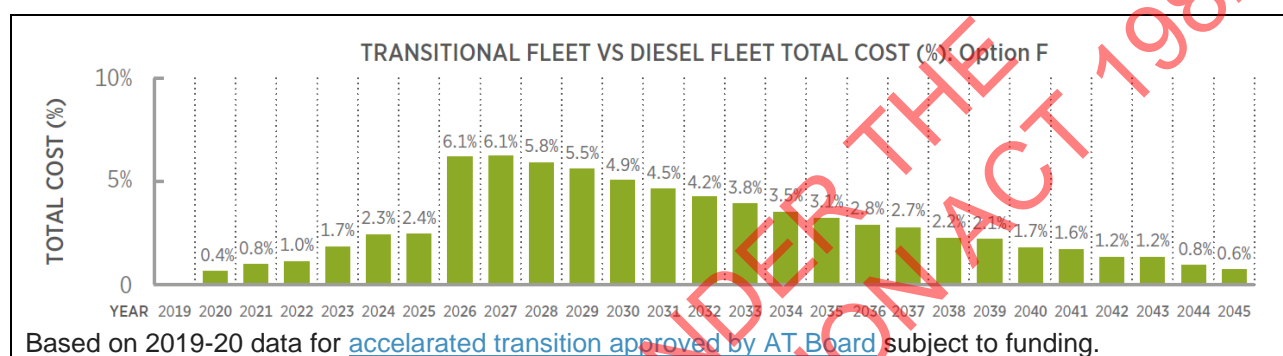
Cost of bus PT contract for AT with RUC (Excluding costs of charging infrastructure)				Cost of bus PT contract for AT with RUC exemption (Excluding costs of charging infrastructure)			
Fuel / Energy cost		Diesel	EV	Fuel / Energy cost		Diesel	EV
\$/litre		1.26		\$/litre		1.26	
litres/km		0.42		litres/km		0.42	
AdBlue cost		1,744.87		AdBlue cost		1,744.87	
\$/kWh			0.21	\$/kWh			0.21
kWh/km			1.17	kWh/km			1.17
RUCS		0.30	0.30	RUCS		0.30	
Total cost		\$ 70,551.57	\$ 45,565.28	Total cost		\$ 70,551.57	\$ 20,638.57
Total Km		83,089.04	83,089.04	Total Km		83,089.04	83,089.04
		0.85	0.55			0.85	0.25
			- 0.30				- 0.60
Premium for e-bus costs p.a.			59%	Premium for e-bus costs p.a.			59%
Impact on operating costs per km			-14%	Impact on operating costs per km			-27%
Impact on PT Contract costs in %			1%	Impact on PT Contract costs in %			-5%
Outcome: 1% increase in PT costs				Outcome: 5% reduction in PT costs			



However, when considering the increasing costs of civil works, high voltage connections to bus depot and charging equipment for large scale deployments, the current funding mechanism to incentivise uptake of ZEBs is not sufficient.

Case Study 2 demonstrates the increasing costs for full transition to ZEBs fleet when the premium charging infrastructure is included. It suggests other funding mechanisms and /or delivery models may be more appropriate to enable provision of bus charging infrastructure to support transition to zero emissions public transport while maintaining competition for bus services contracts and reducing barriers to entry for new bus operators and opportunity to achieve better value for money.

### Case Study 2 - % increase in contract cost for full transition to ZEBs in Auckland



Disadvantages are that the bus manufacturers may slow their efforts to reduce the impact of buses on road pavements by reducing their investment in R&D and new innovative technology. Better axle design and spacing for buses, along with reduced gross weight can significantly reduce the impact of electric buses on road pavements, while continuing to deliver the efficiency and environmental benefits. AT have published some [new research](#) on this issue.

### 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?

For light vehicle the RUCs could be set at different levels in a tier system with:

- Low rates for pure battery electric or hydrogen fuel cell electric
- Low-Medium rates for plug-n hybrids
- Medium for hybrids
- High rates for fossil fuels

However, as stated in Principle 2: Incentivisation, a new system is required to incentivise the transition to lower carbon vehicles.

### Q23. How would making eRUC mandatory affect your business?

Increased operational costs increase due to e-RUC purchasing and running/licensing costs increasing costs of bus service and construction contracts.

Reducing costs by not paying distance travelled within private road / yards / depots for bus operators may not be passed on to AT in bus service and construction contracts

**Q29. According to what criteria should partial RUC rates be determined?**

Vehicles weight, fuel type, and public transport (as it contributes to reducing emissions and supports) modal shift. However, as stated in Principle 2: Incentivisation, new system is required to incentivise the transition to lower carbon vehicles.

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

It would minimise impact on operating costs and enable smoother transition between contracts (i.e. PT services, or freight) for a period of time while the new system is required to incentivise the transition to lower carbon vehicles is developed.

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

More affordable transition to zero emission buses, more fleet choices available on the market reducing purchase price and affordability for future users.

Disadvantages, as for buses, are that innovation to reduce the impact of heavy EVs on road pavements will not be rewarded.

However as stated in Principle 2: Incentivisation, a new system is required to incentivise the transition to lower carbon vehicles.

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

It would increase the affordability of electric buses and trucks until price parity with conventional vehicles is achieved but would not provide revenue to maintain greater wear of road surfaces. However, as stated in Principle 2: Incentivisation, new system is required to incentivise the transition to lower carbon vehicles.

**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?**

The current exemption should be extended to 2035 for buses to align with the Government's 2035 Mandate to decarbonise bus PT. This would mean that EV buses would be at half their permitted maximum age (20 years as defined by Waka Kotahi RUB) before their operating costs would increase. This would reduce the overall PT service contracts costs with most fleet used on future PT contracts would be already significantly depreciated reducing the Peak Vehicle Requirement (PVR) component of the PT contracts balanced with the higher operating costs for in-service kilometres.

However, as stated in Principle 2: Incentivisation, a new system is required to incentivise the transition to lower carbon vehicles and fund additional costs of decarbonising public transport.

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

Better axle design and spacing can make a bigger difference than reduced gross weight in managing the impact of heavy vehicles on road pavements. AT have published some [new research](#) on this issue looking at electric buses, but the key findings are relevant to any heavy vehicle.

The proposed changes to eight axle vehicles are too specific to make a lot of difference to the choices being made by those who design, or invest in trucks. The following diagram was used in 2020 to argue that some trucks are paying more in road user charges than the damage they cause to roads – this issue is covered by other points in this submission.

Relevant to the issue of axle configurations however is the significant difference that an extra set of axle makes to the road damage that a vehicle or trailer imposes. This is an area where the RUC system could reward innovation and influence investment choices towards options that have a reduced impact on our road network maintenance costs.

The proposed changes to eight axle vehicles address this issue, but not in a holistic way that encourages such innovation.

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<sup>55</sup>Figure 31: Comparison of Road User Charge (RUC) recovery rate of road costs for common vehicle types. Note trailer types are shown in their typical combination configuration.

Vehicle type	Description	Recovery Rate (%)
	Car (less than 3.5 t)	94
	3 axle truck (12 to 18 t)	120
	4 axle truck (all weights)	125
	Trailer with 3 close axles	155
	Trailer with 4 axles	169
	Trailer with 5 or more axles	162
	3 axle Towing vehicle that is part of combination with at least 9 axles	122
	4 axle Towing vehicle that is part of combination with at least 8 axles	130

<sup>55</sup> Ministry of Transport, Regulatory Impact Statement for the 2020 increase in RUCs, Appendix. (Vehicle type pictures and definitions have been simplified by Transporting New Zealand)



AT would welcome the opportunity to engage further with the Ministry on this topic.

AT thanks the Ministry for this opportunity to submit.

For further information, please contact:

**Hamish Glenn | Head of Transport Policy**

**Planning and Investment | Auckland Transport**



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## SUBMISSION BY THE AUCKLAND BUSINESS FORUM ON DRIVING CHANGE: REVIEWING THE ROAD USER CHARGES SYSTEM

**To:** RUC Consultation 2022  
Te Manatū Waka Ministry of Transport  
PO Box 3175  
Wellington 6140  
Via email: s 9(2)(a)

**Submitter:** Auckland Business Forum

**Submitted by:** Barney Irvine (Auckland Business Forum Coordinator)  
Email: s 9(2)(a)  
Phone: s 9(2)(a)

**Date:** 22 April 2022

### Introduction

The Auckland Business Forum appreciates the opportunity to provide feedback on Driving Change: Reviewing the Road User Charges System.

The Auckland Business Forum is a group of Auckland-based business organisations formed to advocate for greater urgency around the planning and delivery of the Auckland transport programme. The group was formed out of concern for a long-running decline in the standard of Auckland's transport infrastructure, and the subsequent impact on productivity and quality of life. The Auckland Business Forum's membership incorporates broad-based user and industry perspectives on transport issues, and a wealth of experience of the Road User Charges (RUC) system. It consists of the following organisations (a number of whom have also made individual submissions on this review):

- Auckland Business Chamber
- Civil Contractors New Zealand
- Employers and Manufacturers Association (Northern)
- National Road Carriers Association
- The NZ Automobile Association (Auckland District Council)
- Ports of Auckland Ltd
- Vector Ltd

While we recognise that there are opportunities to simplify and streamline the RUC system, and we support many of the initiatives in the discussion document that are designed with that objective in mind, we strongly oppose any changes that would alter the underlying structure and purpose of RUC. In particular, we oppose the notion of using RUC to recover more than the direct costs of road maintenance and construction, which is the core proposition of the discussion document.

## Using the RUC Act to recover more than road costs

The RUC system has been a highly effective tool not just for generating revenue for building, operating and maintaining the road network, but also for influencing the design of heavy vehicles, in order to minimise deep road wear. Indeed, RUC has been the major heavy vehicle design tool in New Zealand in recent decades, and has resulted in design features that are not found anywhere else in the world.

Further, the RUC system is underpinned by a high degree of acceptance on the part of users. The system for calculating charges is robust and transparent, and users see a direct benefit in return for the costs that they bear. Hence, they consider it to be fair. As noted on page 24 of the discussion document:

*“Broadly, road users have accepted regular increases to RUC (and fuel taxes) as well as the idea that heavier vehicles should pay more because they cause more damage to the roads. This consensus is in stark contrast to other jurisdictions where there can be significant protests and unrest when fuel taxes are raised, or where taxes have not been able to be raised, often for decades.”*

These elements, we believe, would be severely undermined by expanding RUC to incorporate other costs and objectives. Doing so would deprive the transport funding system of the revenue needed to maintain the road network (because it would lead to exemptions, for instance to encourage the uptake of low-emissions vehicles); would weaken incentives to truck operators to configure their vehicles in a way that minimises road wear; and would erode the social licence that underpins the system, because users would cease to see it as fair and equitable.

It would continue a deeply concerning trend over recent years, whereby the transport funding system has been opened up to cover an increasing range of costs and objectives, the goals of which are often only indirectly related to transport. As a consequence, the system has lost much of its equity and legitimacy, and levels of service when it comes to the standard of the road network have been eroded, because resources have been spread too thinly.

### Charging for externalities

On this basis, we would not support any steps by the Government to expand RUC to cover externalities. We would add that road users already pay for externalities – through the ETS for emissions and ACC for road safety – and that the additional costs that are proposed would therefore amount to double-charging.

Notwithstanding these fundamental objections, we would expect to see a much stronger case put forward to justify any move towards charging for externalities. The scale of the problem posed by the externalities needs to be more clearly spelt out, as does the means by which charges would be calculated. We struggle to see how a regime based on vehicle weight, dimensions and distance could be used to charge for emissions, noise pollution, or any other indirect source of economic, social or environmental harm.

One of the externalities identified in the consultation document is congestion. The correct place to address the contribution that vehicles make to the cost of congestion is through a congestion pricing system that applies to all vehicles on the network, not as an additional charge for eRUC users.

### **Mandating eRUC for heavy vehicles**

There is obvious logic in bringing a greater proportion of the heavy vehicle fleet onto eRUC, but this will not occur until there are eRUC solutions available that only offer the charging features of eRUC, as opposed to the wider telematics offering (and that therefore make economic sense for owners of smaller fleets). This, in turn, will require a greater range of potential eRUC providers to enter the market.

This process would be assisted by removing the requirement to display a physical motor vehicle licence label, as proposed in the discussion document, as eRUC providers would no longer have to carry the cost of producing and distributing labels to eRUC users.

### **Extending the heavy EV RUC exemption**

Consistent with our comments above, and our view that all users should contribute in proportion to the direct costs of their use, we would strongly oppose any extension of the heavy EV RUC exemption. Incentives for the uptake of low- and zero-emissions trucks must not come at the expense of revenue needed to maintain the road network, and must therefore be funded from elsewhere in the Crown accounts (as are initiatives such as the Clean Car Discount). Our view is reinforced by the fact that, as observed on page 35 of the discussion document, there is no solid evidence to suggest that RUC exemptions have been a catalyst for the increased uptake of EVs.

### **Concluding remarks**

Given the predicted growth in the freight task in the years ahead, and the fact that road freight will remain far and away the dominant freight mode, the role played by RUC is more important than ever. Any changes to the scheme must serve to enhance – and not undermine – its efficiency and effectiveness, particularly when it comes to RUC's core purpose of covering the direct costs of building and maintaining the road network.

Yours sincerely,

s 9(2)(a)



Michael Barnett  
**Chair, Auckland Business Forum**



Submission by



to the

**Ministry of Transport**

on

**Consultation on Driving Change: Reviewing the Road User  
Charges System**

April 2022

**CONSULTATION ON DRIVING CHANGE: REVIEWING THE ROAD USER  
CHARGES (RUC) SYSTEM  
SUBMISSION BY BUSINESSNZ<sup>1</sup>**

**1.0 EXECUTIVE SUMMARY**

- 1.1 BusinessNZ welcomes the opportunity to comment on *Consulting on Driving Change: Reviewing the Road User Charges System* (the Consultation Document).
- 1.2 The Consultation Document's key topics include how:
- RUC might be used to charge for greenhouse gas emissions and other factors beyond damage to the roads (such as noise pollution and congestion)
  - Light Electric Vehicle (EV) owners can transition into paying RUCs when the EV exemption ends in March 2024; and
  - The RUC's compliance regime can be improved.
- 1.3 Given the diversity of BusinessNZ membership, some members and sectors will have specific issues they wish to comment on in more detail. Therefore, we have encouraged individual members and sector representatives to make their own submissions raising issues specific to their areas of interest.
- 1.4 While the Consultation Document addresses several matters of concern, BusinessNZ's comment is largely restricted to one of the document's central themes - how RUCs might be used to charge for greenhouse gas emissions and to factors (externalities) beyond road damage, for example, noise, pollution, accidents, and congestion.
- 1.5 BusinessNZ is seriously concerned about the use of RUCs as a de facto mechanism for achieving Government objectives, such as promoting greater use of EVs to lower greenhouse gas emissions. The net impact is likely to be less money available for spending on roads as different transport modes are cross-subsidised by petrol- and diesel-powered vehicles. Second, many so-called externalities associated with on-road transport - greenhouse gas emissions and accidents for example - are respectively already covered by the Emissions Trading Scheme (ETS) and by accident compensation (funded by the

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<sup>1</sup> Background information on BusinessNZ is attached as Appendix 2.

Motor Vehicle Account via petrol levies, Motor Vehicle Registration levies and vehicle insurance levies).

- 1.6 There have already been recent media reports of a \$350 million shortfall in National Land Transport revenue arising from COVID-related public health measures and their impacts on both fuel consumption (affecting Fuel Excise Duty (FED) revenue) and ability to travel (affecting RUC revenue). While this may prove less of an issue over time, it is a factor that does put at risk the future of some projects under the National Land transport Programme.
- 1.7 BusinessNZ remains mystified that the Consultation Document starts off lauding RUC as *"world-leading as a distance and weight-based charge for both diesel and heavy vehicles"* before then suggesting that RUC be fundamentally changed to a less effective behaviour change catalyst that can somehow recover the costs of damage to roads while also addressing other issues with little relation to distance travelled or vehicle weight.
- 1.8 It is noted that the Government has provided a significant subsidy to buyers of new EVs (just under \$9,000) to encourage EV take-up. While not commenting specifically on the merits or otherwise of that policy decision (although BusinessNZ has commented in recent submissions that the ETS should be the primary means of encouraging emissions reduction), at least the costs of making the decision are transparent and can be analysed alongside other areas of government expenditure.
- 1.9 It is also noted that last year's Budget (May 2021) established that from this year, any proceeds from the ETS will be hypothecated to emissions reductions: the Climate Change Minister James Shaw estimated that recycling of ETS revenues could amount to more than \$3 billion of investment over the next five years to help meet emissions reductions goals. Again, if the Government is determined to subsidise low carbon emission fuels or technologies, then this ETS fund would seem more appropriate (like general taxation) to fund these initiatives, without using the RUC mechanism which is targeted specifically at the cost of vehicle wear and tear on the roading network.

## **RECOMMENDATIONS**

BusinessNZ **recommends** that:

**As greenhouse gas emissions are already covered under the ETS, there is no justification for imposing additional costs on existing road users to promote the greater use of non-petrol or diesel-fuelled vehicles (such as EVs). This is explicitly acknowledged in the Consultation Document "[Greenhouse gas emissions] are already addressed through the ETS which is included in the price of all transport fuels so accounting for them in RUC rates would duplicate costs" (p.25).**

BusinessNZ **recommends** that:

**When it comes to meeting our domestic and international obligations to reach net zero carbon emissions by 2050, the focus should be on:**

- **Net emissions and not gross emissions**
- **The ETS as the sole tool except where it can be clearly demonstrated that further interventions will have net benefits**
- **Supporting policies that are outcome-focused and technology-agnostic**
- **Avoiding bans and interventions which typically increase cost for no gain given the ETS cap**
- **Lowest cost abatement, as cost is important to the wellbeing and livelihood of New Zealand families and businesses.**

BusinessNZ **recommends** that:

**If, after a thorough review of the RUC system, in the Government's opinion there is a sound public policy reason for the continued cross-subsidisation of any new or existing road users e.g., EV owners (although no obvious reason occurs to BusinessNZ), the nature of the subsidisation should be made transparent, and funding provided from general taxation. The funding will then show clearly in the government accounts, allowing the quality of the expenditure to be judged alongside all other areas of government expenditure.**

BusinessNZ **recommends** that:

**As greenhouse gas emissions from on-road activity are covered under the ETS, and the impacts of other on-road activity, including noise, pollution etc, are covered by RMA, additional mechanisms to minimise environmental effects are unnecessary and should not be introduced. Rigorous and specific requirements are already imposed on roading infrastructure and any additional requirements would potentially damage New Zealand's ability to build much-needed infrastructure.**

BusinessNZ **recommends** that:

**Neither an RUC system nor any other mechanism should impose costs in addition to those currently associated with on-road accidents and injuries. Given the ACC scheme (via the ACC Motor Vehicle Account) currently fully funds road injury costs there is no justification for imposing further costs. Even then, the Motor Vehicle Account includes significant cross-subsidisation of road users; motor vehicle owners continue to pay a disproportionate share of the costs arising from motorcycle accidents, while users of other modes of transport (such as cyclists) pay nothing towards road accident costs.**

BusinessNZ **recommends** that:

**Despite the economic merits of congestion charging as a concept, it is extremely unlikely that it could be satisfactorily included in an RUC system since congestion is generally relatively site-specific, and perhaps more importantly, time-specific. Consequently, a flat RUC system across the country would not, for example, be appropriate.**

## **2.0 DISCUSSION**

- 2.1 Land transport funding in New Zealand ensures that funds generated through fuel excise duty, road user charges and motor vehicle licensing fees are progressively retained for land transport initiatives i.e. are effectively hypothecated taxes. The underlying theme is the importance of retaining competitive neutrality between the different modes of transport.
- 2.2 BusinessNZ accepts demand management tools such as congestion pricing and tolls will in some cases be both necessary and desirable but considers it is important to understand clearly the rationale for their use. The RUC system is not an appropriate mechanism for dealing with many of the so-called "costs" the Consultation Paper identifies, as these are adequately covered by levies and taxes already in place.
- 2.3 The current RUC system has been world-leading for a number of decades with a clear objective of internalising the costs associated with using different vehicle types (weight/length etc.) sheeted home to the users of the roading network. The system therefore has a clearly defined objective and undermining that objective by adding on various other charges would seriously damage the system's integrity. Notwithstanding, it is entirely appropriate to review the RUC system from time to time to take account of the different modes of transport using the roading network, ensuring the costs imposed on the network are adequately considered (for example, from the greater use of EVs).
- 2.4 As a general principle, individuals and companies should bear the full cost of their behaviour (i.e. costs should be internalised) as there will be an over-consumption of resources if costs can be shifted on to third parties. If rational decisions are to be made about motor vehicle use, those involved should ideally bear the costs (and receive the benefits) associated with specific options/outcomes.
- 2.5 Imposing costs over and above those which individuals and firms ought to bear will result in a misallocation of resources. Costs will rise and individuals will either pay higher prices for goods and services than they otherwise would, or the choice of goods and services available will be inhibited. With roading, if road users do not pay their fair share of the costs imposed on the roading network, the result is likely to be less revenue for crucial roading infrastructure.
- 2.6 There have already been recent media reports of a \$350 million shortfall in National Land Transport revenue arising from COVID-related public health measures and their impacts on fuel consumption (affecting Fuel Excise Duty

(FED) revenue) and ability to travel (affecting RUC revenue). While this may prove less of an issue over time, it is currently a factor that poses risk to a number of projects under the National Land Transport Programme.

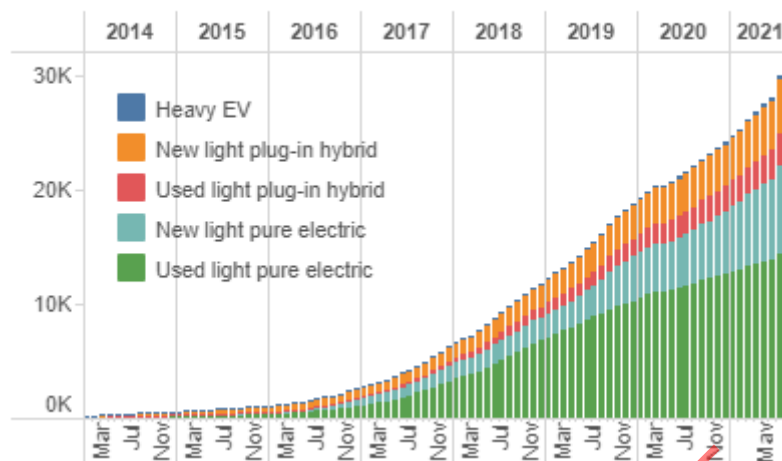
2.7 BusinessNZ notes the Consultation Document outlines some important risks arising from changing the purpose of RUCs (p.24-26) which we strongly agree with. These risks include:

- A lack of information on how important the existing RUC exemptions have been in promoting EV uptake, or on the effect exemptions or discounts would have in supporting the uptake of other low-carbon fuels
- RUC exemptions and reduced RUC rates undermining the key principle of the RUC system; that vehicle owners should pay for the use of roads including pavement damage. Exemptions and rate reductions would reduce incentives to choose vehicle combinations that minimise damage to the road network
- Discounts or exemptions undermining the principle of the RUC system referred to above: that vehicle owners should pay for their road use. Discounts and exemptions would likely lead to a decline in funds available for building and maintaining transport infrastructure (given the additional costs on other road users to offset the expected revenue loss). The probable result would be deferred, or at a minimum delayed, investment in transport infrastructure
- Duplication of costs as greenhouse gas emissions are already covered under the ETS. *"[Greenhouse gas emissions of fuels] .... are already addressed through the ETS which is included in the price of all transport fuels so accounting for them in RUC rates would duplicate costs."*

2.8 Modes of transport are changing in NZ as in other countries. It is, for example, understood that there are around 30,000 EVs registered here, and while still a minuscule proportion of the cars on road (likely to be only around 1 percent of on-road vehicles), this number is increasing all the time in step with changing consumer habits, as can be seen from the table below.



EV fleet size



- 2.9 Given the above, it is important that users of the roading network reflect the costs associated with the different modes of transport, particularly those that do not require registration, or use petrol/diesel, or are not covered through the current RUC system. RUCs and other funds from some road users are already used to fund potentially questionable projects which are of little or no benefit to those currently paying for roading costs.

### **Greenhouse gases**

- 2.10 BusinessNZ is seriously concerned at the use of RUCs as a de facto mechanism for achieving government objectives such as promoting greater use of EVs to lower greenhouse gas emissions. The net impact is likely to be less money available for spending on roads as different transport modes are cross-subsidised by petrol- and diesel-powered vehicles. And many of the so-called externalities associated with on road transport, such as greenhouse gas emissions are already covered through mechanisms, such as the ETS.
- 2.11 Provided emissions are adequately covered by the ETS, authorities should be agnostic as to which specific projects (or transport modes) are supported.
- 2.12 BusinessNZ considers that if government decides, for some rigorously determined public policy reason (although BusinessNZ cannot think of one), that specific road users e.g. EVs or any other road users should be subsidised by other motor vehicle owners, the subsidy should be transparent, funded out of general taxation and explicitly recognised in the government accounts, as is currently government (taxpayer-funded) assistance to low income earners and the elderly (via NZ Superannuation payments) etc. This is consistent with BusinessNZ's submission on the ACC Levy Review 2022-24 in respect to the ACC Motor Vehicle Account's current subsidisation of motorcyclists.

- 2.13 It is noted that the Government has provided a significant subsidy to buyers of new EVs (just under \$9,000) to encourage EV take-up. While not commenting specifically on the merits or otherwise of that policy decision (although BusinessNZ has commented in recent submissions that the ETS should be the primary means of encouraging emissions reduction), at least the costs of making the decision are transparent and can be analysed alongside other areas of government expenditure.<sup>2</sup>
- 2.14 It is also noted that in last years Budget (May 2021) that from this year, any proceeds from the ETS will be hypothecated to emissions reductions with the Climate Change Minister James Shaw estimating that recycling of ETS revenues could amount to more than \$3 billion of investment over the next five years to help meet emissions reductions goals. Again, if the Government is determined to subsidise particular vehicle types, then this ETS fund would seem more appropriate (like general taxation) to fund these initiatives, without using the RUC mechanism which is targeted specifically at the cost of vehicle wear and tear on the roading network.
- 2.15 Irrespective of government's explicit decision to subsidise the take up of EVs, BusinessNZ is strongly of the view that it is inappropriate for vehicles with similar risk profiles not to be charged levy rates in accordance with those charged to all other road users.

BusinessNZ **recommends** that:

**As greenhouse gas emissions are already covered under the ETS, there is no justification for imposing additional costs on existing road users to promote the greater use of non-petrol or diesel-fuelled vehicles (such as EVs). This is explicitly acknowledged in the Consultation Document "[Greenhouse gas emissions] ... are already addressed through the ETS which is included in the price of all transport fuels so accounting for them in RUC rates would duplicate costs" (p.25).**

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<sup>2</sup> See for example, BusinessNZ Submission to the Environment Select Committee on the Natural and Built Environments Bill (August 2021).

*"Provided emissions are adequately covered by the ETS, authorities should be agnostic as to which specific projects should be supported. Therefore, when it comes to meeting domestic and international obligations to reach net zero carbon emissions by 2050, we consider the focus should be on:*

- 1. Net emissions and not gross emissions*
- 2. The ETS as the sole tool except where it can be clearly demonstrated that further interventions will have net benefits*
- 3. Any supporting policies as outcome-focused and technology agnostic*
- 4. Avoiding bans and interventions as typically these increase cost for no gain, given the ETS cap*
- 5. The importance of lowest cost abatement as cost matters to the wellbeing and livelihood of New Zealand families and businesses."*

BusinessNZ **recommends** that:

**When it comes to meeting our domestic and international obligations to reach net zero carbon emissions by 2050, the focus should be on:**

- **Net emissions and not gross emissions**
- **The ETS as the sole tool except where it can be clearly demonstrated that further interventions will have net benefits**
- **Any supporting policies should be outcome focused and technology agnostic**
- **Bans and interventions should be avoided as typically they increase cost for no gain given the ETS cap**
- **The importance of lowest cost abatement as cost matters to the wellbeing and livelihood of New Zealand families and businesses.**

BusinessNZ **recommends** that:

**If, after a thorough review of the RUC system, in government's opinion there is a sound public policy reason for the continued cross-subsidisation of any new or existing road users e.g., EV owners (although no obvious reason occurs to BusinessNZ), the nature of the subsidisation should be made transparent, and funding provided from general taxation. The funding will then show clearly in the government accounts, allowing the quality of the expenditure to be judged alongside all other areas of government expenditure.**

### **Other Pollution**

- 2.16 In respect to pollution, BusinessNZ is supportive of a range of mechanisms for improving the pricing signals to consumers, households, businesses and road users about the true costs associated with pollution but notes that given the nature of the roading network and levels of use in different parts of the country, dealing with various forms of pollution and/or waste is complex and goes well beyond simply saying "all pollution is bad and less pollution is better."
- 2.17 ETS requirements notwithstanding, the impact of roading activity, including noise, pollution etc must also go through a normal Resource Management Act (RMA) process. This often means rigorous and specific requirements are imposed on roading infrastructure with additional mechanisms to minimise effects on the environment. Examples include rigorous consenting requirements that led to significant delays in opening the Transmission Gully highway out of Wellington.

BusinessNZ **recommends** that:

**As greenhouse gas emissions from on-road activity are covered under the ETS, and the impacts of other on-road activity, including noise, pollution etc, are covered by RMA, additional mechanisms to minimise environmental effects are unnecessary and should not be introduced. Rigorous and specific requirements are already imposed on roading infrastructure and any additional requirements would potentially damage New Zealand's ability to build much-needed infrastructure.**

### **Accident Costs**

- 2.18 There is no justification for imposing additional costs via RUC or any other mechanism on accidents and injuries on the road, given the ACC scheme (via the ACC Motor Vehicle Account) currently fully-funds costs associated with road injuries. Additional costs via RUC or any other mechanism would represent an unjustified tax and would distort the true costs associated with accidents in NZ as there is a specific requirement current under ACC law for the Motor Vehicle Account (alongside the Work and Earners Account) to be fully-funded.
- 2.19 BusinessNZ has continuing concerns about the significant degree of cross-subsidisation in the Motor Vehicle Account, particularly in respect to motorcyclists who, as a group, continue to be heavily subsidised by motor vehicle owners. Other modes of transport, e.g., cycling, are not included within the ACC levy framework while other transport modes, e.g. EVs, which do not pay petrol charges, are in effect subsidised by other road users. Greater equity in funding the Motor Vehicle Account is required for existing and potential road users in view of an increasing move to new transport modes, including cycling and other means of transport not using petrol (or diesel), e.g., electric scooters.<sup>3</sup>

BusinessNZ **recommends** that:

**Neither the RUC system nor any other mechanism should impose costs in addition to those currently associated with on-road accidents and injuries. Given the ACC scheme (via the ACC Motor Vehicle Account) currently fully-funds road injury costs there is no justification for imposing further costs. Even then, the Motor Vehicle Account includes significant cross-subsidisation of road users; motor vehicle owners continue to pay a disproportionate share of the costs**

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See Appendix 1 for relevant section on the Motor Vehicle Account from BusinessNZ's Submission to ACC on the 2021 Levy Consultation: Proposed Levy Rates 2022-25 (October 2021)

**arising from motorcycle accidents, while users of other modes of transport (such as cyclists) pay nothing towards road accident costs.**

### **Congestion Pricing**

- 2.20 Market economic theory, which encompasses the congestion pricing concept, believes road users should be forced to pay for the negative externalities they create making them conscious of the costs they impose upon each other when consuming during peak demand. But congestion pricing is not, as such, a mechanism that should necessarily be used to pay for new roads. This has been one of the main concerns of road users and taxpayers around the world about the use of congestion charging regimes. Moreover, despite the economic merits of congestion charging as a concept, it is extremely difficult to know how it could be appropriately included within a RUC scheme. Congestion charging generally is relatively site specific, and perhaps more importantly, time specific. A flat road use congestion charge across the country would not, therefore be appropriate.

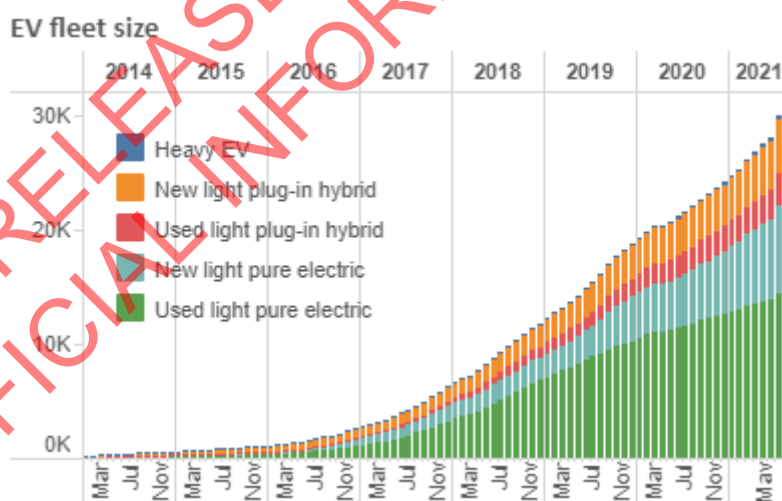
BusinessNZ **recommends** that:

**Despite the economic merits of congestion charging as a concept, it is extremely unlikely that it could be satisfactorily included in the RUC system since congestion is generally relatively site-specific, and perhaps more importantly, time-specific. Consequently, a flat RUC system across the country would not be appropriate.**

**Appendix 1 - Relevant section from BusinessNZ's Submission to ACC on the proposed ACC levy rates to apply from 2022-24 (BusinessNZ October 2021)**

**“6.0 CROSS-SUBSIDISATION (IN RESPECT TO THE MOTOR VEHICLE ACCOUNT)”**

- 6.1 *BusinessNZ has continuing concerns about the significant degree of cross-subsidisation in the Motor Vehicle Account, particularly in respect to motorcyclists who, as a group, continue to be heavily subsidised by motor vehicle owners, as noted in the consultation documents. Other modes of transport, e.g., cycling, are not included within the ACC levy framework while other transport modes, e.g. Electric Vehicles are in effect subsidised by other road users given they do not pay petrol charges. Greater equity in funding the Motor Vehicle Account is required for existing and potential road users in view of an increasing move to new transport modes, including cycling and other means of transport not using petrol (or diesel), e.g., electric scooters.*
- 6.2 *Modes of transport are changing in NZ as in other countries. It is, for example, understood that there are around 30,000 Electric Vehicles registered in NZ, and while still a minuscule portion of the cars on road (likely to be only around 1 percent of on road vehicles), this number is increasing all the time in step with changing consumer habits, as can be seen from the table below.*



- 6.3 *Given the above, it is important ACC premiums reflect the risks associated with different modes of transport, particularly those that do not require registration or use petrol/diesel.*

- 6.4 *There have been moves over the past few years to reduce Motor Vehicle Account cross-subsidisation but these have been tentative to say the least, focusing mainly on removing some of the distortions within each vehicle class (e.g., between small and large motorcycles) rather than dealing with motorists' cross-subsidisation of motorcyclists per se. This process has effectively continued during the current 2022-25 levy consultation round.*
- 6.5 *There will be motorcycle owners (and other road users, e.g., owners of EVs) who can readily afford to pay the risk-rated premium associated with motor cycling, while there will be car owners who struggle to pay the ACC licensing fee whether they be EV owners or not.*
- 6.6 *It is not clear from any research that BusinessNZ is aware of, that motorcyclists or owners of EVs, on average, have any more or less ability to pay than other road users, or indeed professional rugby players, in respect to risk-based work levies.*
- 6.7 *ACC, correctly in BusinessNZ's opinion, risk-rates activities in the Work Account based on actual risk (not fault, as ACC is a no-fault scheme). This means a professional rugby player will pay significant ACC levies for ACC-related claims, given the relatively higher risk of injury to professional rugby players compared with individuals working in less risky environments, e.g., office workers.*
- 6.8 *It has sometimes also been argued that cross-subsidisation is justified because the motorcyclist is often not "at fault" in an accident involving a motorcycle, that is, does not cause the accident.*
- 6.9 *In response, the following should be noted:*
- The "no fault" aspect of the scheme is simply government policy, providing cover for all accidents regardless of fault, with injured persons entitled to compensation without legal recourse.*
  - ACC is attempting to recoup the costs of the scheme from those whose costs are greatest (have the highest accident costs), irrespective of fault.*
  - Motorcycle riders (no external protection, no seatbelt, higher risk of not being seen by motor vehicles when overtaking etc.) are more prone to serious bodily injury than are people in cars. Injuries sustained by motorcyclists are likely to be more extensive whether the collision involves a motorcycle alone or is with another vehicle. Thus, regardless of who is at fault, riding a motorcycle, on average, results in a higher accident cost.*



- 6.10 *While the levy applying to actual claims' costs would be relatively high (relative to current subsidised rates), BusinessNZ nevertheless considers rates should be more progressively based on risk. However, it is acknowledged that it might take several years to achieve true risk-based levies for motorcycle owners.*
- 6.11 *Individuals considered in need of taxpayer assistance (generally income-related) receive support via various tax measures, including income support to enable them to purchase essential goods and services.*
- 6.12 *If government decides, for some rigorously determined public policy reason (although BusinessNZ cannot think of one), that motorcyclists, or any other road users (e.g., cyclists, Electric Vehicle owners etc) should be subsidised by other motor vehicle owners, the subsidy should be transparent, funded out of general taxation and explicitly recognised in the government accounts, as is currently government (taxpayer-funded) assistance to low income earners and the elderly (via NZ Superannuation payments) etc.*
- 6.13 *In respect to Electric Vehicles, it is noted that the Government has provided a significant subsidy to buyers of new EVs (just under \$9,000) to encourage EV take-up. While not commenting specifically on the merits or otherwise of that policy decision (although BusinessNZ has commented in recent submissions that the Emissions Trading Scheme (ETS) should be the primary factor to encourage emission reductions), at least the costs of making this decision are transparent and can be analysed alongside other areas of government expenditure.<sup>4</sup>*
- 6.14 *Irrespective of Government's explicit decision to subsidise the take up of EVs, BusinessNZ is strongly of the view that it is inappropriate for vehicles with similar risk profiles not to be charged levy rates similar to those charged to all other road users. Again, if the Government sees fit to subsidise the use/uptake of EVs then this should be done in a transparent and open manner, rather than other road users paying for what will, over time, become a bigger accident cost, given the expected continuing growth in EV use.*

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<sup>4</sup> See for example, BusinessNZ Submission to the Environment Select Committee on the Natural and Built Environments Bill (August 2021).

*"Provided emissions are adequately covered by the ETS, authorities should be agnostic as to which specific projects should be supported. Therefore, when it comes to meeting domestic and international obligations to reach net zero carbon emissions by 2050, we consider the focus should be on:*

- 1. Net emissions and not gross emissions*
- 2. The ETS as the sole tool except where it can be clearly demonstrated that further interventions will have net benefits*
- 3. Any supporting policies as outcome-focused and technology agnostic*
- 4. Avoiding bans and interventions as typically these increase cost for no gain, given the ETS cap*
- 5. The importance of lowest cost abatement as cost matters to the wellbeing and livelihood of New Zealand families and businesses."*

*BusinessNZ recommends that:*

- 1. A thorough investigation of Motor Vehicle Account funding be carried out to enable associated costs to be more closely sheeted home to claimants, based on risk, not vehicle type or transport mode.*

*BusinessNZ recommends that:*

- 2. If, after a thorough review of the Motor Vehicle Account, in the opinion of the ACC Board and the Government there is a sound public policy reason for the continued cross-subsidisation of motorcyclists or any other new or existing road users e.g., EV owners (although no obvious reason occurs to BusinessNZ), the nature of the subsidisation be made transparent, and funding provided from general taxation. The funding will then show clearly in the government accounts, allowing the quality of the expenditure to be judged alongside all other areas of government expenditure."*

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## **Appendix 2 - Background information on BusinessNZ**



BusinessNZ is New Zealand's largest business advocacy body, representing:

- Regional business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Employers Otago Southland](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development (OECD)

**From:** s 9(2)(a)  
**Sent:** Friday, 22 April 2022 3:38 pm  
**To:** RUC Consultation 22 <[RUCConsultation22@transport.govt.nz](mailto:RUCConsultation22@transport.govt.nz)>  
**Cc:** s 9(2)(a)

**Subject:** CBT Submission on Driving Change: Reviewing the Road User Charges System

Dear Sir/Madam

## **DRIVING CHANGE: REVIEWING THE ROAD USER CHARGES SYSTEM**

The Campaign for Better Transport Incorporated (**CBT**) wish to put forward our comments in relation to the Driving Change: Reviewing the Road User Charges System discussion document.

The CBT agrees with government that the road user charges system is a world-leading system for charging vehicles based on both distance and weight. We also agree that it is time for a review and trust the government will do its utmost to ensure that the fifty-year-old road user charges system will be able to serve this country for another fifty years.

We have a few brief comments to make in relation to the topic at hand.

### *Electric Vehicles*

The CBT is in favour of an increased uptake in the use of electric vehicles. However, as with all vehicles, we believe electric vehicles should pay their fair share for the maintenance and construction of the road network. Therefore, we consider that when the exemption for electric cars from road user charges expires on 31 March 2024 it should be gradually phased out over a period of several years, with electric cars eventually being subject to road user charges like any other vehicle. This would help incentivise the switch to electric vehicles without potentially starving the roading network of funding.

However, we acknowledge a need to transition away from the use of fossil fuels to more sustainable fuels and the use of electric vehicles is one way of doing this. It is our opinion that any externalities resulting from the use of fossil fuels should be reflected in the price of the fossil fuel product and not included as part of road user charges. Should the road user charge system be used to account for externalities resulting from the use of fossil fuels, a complex system of exemptions would be needed to ensure electric vehicles are not penalised – and this would be ripe for

error and be a bureaucratic nightmare. In addition, more fuel-efficient diesel vehicles, which by their very nature would emit less carbon, would be as equally penalised as fuel inefficient diesel vehicles.

### *Trucks*

The CBT is aware of research from approximately 15 years ago which indicated that trucks did not pay the full costs of damage they did to roads, and we suspect this remains the case. We consider that the review of the road user charges system should consider whether trucks are indeed paying the full costs of damage they do to roads, and if not, moving toward increasing the road user charges paid by trucks to ensure they do pay for the full costs of damage they do to the roading network. The roading network should be paid for by the users of the roading network through fuel taxes, road user charges and similar levies and not by taxpayers generally.

If you have any further queries, please contact me

at s 9(2)(a) I'll be pleased to comment further if requested.

Kind regards

s 9(2)(a)

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#### MINISTRY OF TRANSPORT

**Wellington (Head Office)** | Ground Floor, 3 Queens Wharf | PO Box 3175 | Wellington 6011 | NEW ZEALAND | Tel: +64 4 439 9000 |

**Auckland** | NZ Government Auckland Policy Office | 45 Queen Street | PO Box 106238 | Auckland City | Auckland 1143 | NEW ZEALAND | Tel: +64 4 439 9000 |

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## SUBMISSIONS

### On proposed changes to the Road User Charges system

Contact: **Alan Pollard**  
Chief Executive  
Civil Contractors New Zealand  
PO Box 12013  
Wellington

s 9(2)  
(a)

## 1. INTRODUCTION

1.1 Civil Contractors New Zealand (CCNZ) welcomes this opportunity to make a submission on Ministry of Transport Road User Charges (RUC) consultation.

1.2 This is CCNZ's submission on the discussion document titled [Driving Change: Reviewing the Road User Charges System](#).

1.3 Civil contractors pay significant road user charges but are also the primary constructors involved in building the physical works for NZ's roads, railways, cycleways and other transport networks. While road user charges are a significant cost for these businesses, many also are funded from road user charges for transport construction.

## ABOUT CCNZ AND ITS MEMBERS

1.4 Civil Contractors New Zealand (CCNZ) is the national representative body for civil construction contractors.

1.5 CCNZ members carry out the majority of the country's civil infrastructure construction and maintenance work. We estimate the civil construction sector carries out more than \$12 billion of work annually and employs more than 40,000 workers. Typical employees range from labourers to tradespeople to engineers.

1.6 CCNZ represents more than 460 civil construction contracting businesses, ranging from large civil construction and infrastructure companies employing thousands of staff to very small contractors and family businesses. It also represents more than 250 businesses that supply equipment and services to contractors. The principal clients our members work for are central and local government agencies.



## SUBMISSIONS

### 2 General overview

- 2.1 CCNZ supports the need to review the Road User Charges system. The system must be fit to fund our transport networks for the decades to come. A review to make sure we can fund the improvements and maintenance the country needs over the long term makes sense.
- 2.2 The benefits of well-constructed and maintained transport networks are improved safety outcomes, a transport network that meets the country's capacity needs, and construction careers that provide meaningful employment for workers.
- 2.3 RUCs were originally designed to offset the wear and tear caused by vehicles, cover road repair and maintenance costs along with offsetting new highway builds throughout NZ.
- 2.4 CCNZ supports the points made in the [submission of BusinessNZ](#), particularly that the nature of RUCs as a user-pays cost recovery system be maintained, rather than changing the system to become a government mechanism for transport behaviour control.
- 2.5 CCNZ considers RUCs are a good example of a user-pays funding system. But the system is currently overstretched after investment in maintenance has not kept up with where it should be.
- 2.6 All road user vehicles should contribute to RUC or Fuel Excise Duty that is proportionately charged based on the weight of the vehicle and the potential damage/wear and tear capabilities of that vehicle.
- 2.7 Of particular concern are recent funding shortfalls. The inadequacy of the current system to meet funding needs is illustrated by the fact successive Governments have needed to create the Roads of National Significance programme and NZ Upgrade Programme as side-pots of funding in order to meet the country's needs, as the current road construction and maintenance funding system is not providing enough to develop and maintain NZ's roading networks to an adequate standard.
- 2.8 In addition to this and short-term pressures from the pandemic and cost escalation, the current funding system is under increasing strain. Cost escalation, sustainability initiatives and the inclusion of rail and coastal shipping in the National Land Transport Programme require contractors to do more with the same pool of funding.
- 2.9 Rather than asking what other activities should be funded through RUCs, we should start by asking how we can create a lasting funding model that meets the needs of our transport networks.
- 2.10 Increasing frequency of severe weather events also greatly increases damage to the roading networks, and the need for measures to prevent damage (for instance seawalls and stop banks), as well as funding for road repair following flood or storm damage.

### 3 Increasing strain on limited transport funding

- 3.1 CCNZ is aware the government is looking at alternate models, such as tolling specific roads, not to cover construction costs, but rather for ongoing maintenance of it. Penlink, for example, appears as though it could become a pay as you use road for some time to come, which is a very different model to what we have seen used in NZ previously.



3.2 While different models are worth exploring, caution will be needed to ensure the right balance of funding to achieve and maintain the outcomes our transport networks are set up to deliver. Discounts and exemptions undermine this structure and will render the system less capable of funding good transport and safety outcomes.

3.3 CCNZ understands the argument that alternate transport activities such as rail and public transport can reduce congestion and wear and tear on the roads, however these activities currently do not contribute income to the National Land Transport Fund.

3.4 CCNZ provides the view that if rail and coastal shipping are to be included under the National Land Transport Fund (NLTF), they should have self-sustaining funding models that also contribute to the NLTF through rail and coastal shipping user charges, rather than funded from RUCs.

#### **4 Use of RUCs to incentivise externalities**

4.1 CCNZ opposes using the RUC system to incentivise or disincentivise types of vehicle use or transport activity.

4.2 The discussion document suggests that Road User Charges may be used to incentivise negative or positive emissions outputs.

4.3 CCNZ is concerned about the use of RUCs as a mechanism for achieving Government objectives regarding intangible behavioural controls not directly related to road construction and maintenance. If measurable damage is caused by some factors (i.e. runoff or pollutants from vehicles cause damage to the environment), this may be able to be factored in. Intangible externalities and behavioural controls should be handled separately from the RUC system.

4.4 Unless road user charges are significantly raised, the impact of broadening the use of RUCs for externalities in any way is likely to be less money available for spending on good transport networks and the outcomes they enable.

4.5 Many externalities that are considered in the discussion paper are associated with on-road transport - greenhouse gas emissions and accidents for example - are respectively already covered by the Emissions Trading Scheme (ETS) and by accident compensation (funded by the Motor Vehicle Account via petrol levies, Motor Vehicle Registration levies and vehicle insurance levies).

4.6 CCNZ recognises there is increasing public focus on greenhouse gas emissions, the Government's efforts to mitigate climate change and recent global agreements such as the Paris Agreement on Climate Change and Agenda 2030.

4.7 These factors have led to governmental action plans and reduction targets. But NZ should be looking to build a self-sustaining transport system, or the safety and transport needs of our communities will not be met.

4.8 CCNZ is concerned with the broad and non-specific nature of including externalities. If measurable damage and maintenance costs can be attributed to vehicle damage, these can be factored into the current system. If this is about managing emissions, this is already factored into the emissions trading scheme, as well as the construction and maintenance tender process.

## **5 Electric vehicles**

5.1 In electric vehicles, a range of new road users are emerging that are not paying road user charges. This is currently a form of government subsidy, which is understandable. However we now need to consider how these new vehicle types can be factored into a new and lasting Road User Charges funding model.

5.2 CCNZ's position is that all vehicles using roads should contribute funding towards maintenance and upgrades of the roading network, rather than a means of funding subjective behaviours through externalities.

5.3 RUCs should be introduced on all powered non-petrol and unpowered vehicles, based primarily on vehicle weight class.

5.4 If the government chooses to subsidise EVs, it could do this through direct contribution to RUCs from government to ensure the transport network is adequately funded, rather than exclusion of EVs from the RUC system, which removes funding that is necessary for constructing and maintaining transport from the system.

5.5 Light EVs are currently exempt from paying RUC until 31 March 2024 and heavy EVs are exempt until the end of 2025.

5.6 Despite light EVs providing an answer to fuel price volatility, steadily increasing uptake of EVs and more competitive pricing, EV and hydrogen technology for heavy construction vehicles is not well enough developed or serviced to provide for the needs of the civil construction industry. This is reflected in the tiny number of heavy EVs in the current EV fleet.

5.7 Service for EVs is another consideration. Diesel mechanics cannot be expected to become EV mechanics overnight, so any change in this direction will also incur significant training and personnel costs to make sure NZ's EV fleet can be maintained.

## **6 Fuel, congestion and biofuels**

6.1 RUCs are currently geared to gather revenue that is needed to resource construction and maintenance. This is ideal because it can be tied to tangible outcomes.

6.2 CCNZ does not recommend including regional cost recovery such as congestion charges or regional fuel taxes into the RUC system. These are separate considerations, and while they may be relevant and provide additional resourcing for the National Land Transport Fund, CCNZ opposes their inclusion in the RUC system. This is because it is important to specify what a cost or charge is being used to pay for.

6.3 CCNZ accepts congestion charging may have merit. But opposes its inclusion in the RUC system. Despite the economic merits of congestion charging as a concept, it is unlikely it could be satisfactorily included in an RUC system since congestion is location, region and time-specific.

6.4 Further to this, the current RUC system does not always go towards meeting the needs of regional users who are paying. For instance much of the contribution of Southland road users does not go back into their regional roads, and is instead used for projects in other regions. This may be appropriate in some cases, but the balance merits consideration.

6.5 We recognise some further work may be required on the use of vehicles powered by biofuel.

6.6 Some CCNZ members (for instance Fulton Hogan) own and operate their own businesses to produce and use biofuels to power their heavy vehicle fleets, while many others are looking to incorporate biofuel blends into their fleets.

6.7 The use of biofuels represents a significant investment by industry to reach for better outcomes. Whether biofuels should be included in RUCs or Fuel Excise Duties is a much broader discussion that should be addressed with specific consultation with the businesses involved.

## **7 Project costs**

7.1 RUCs are currently used to fund projects that are themselves subject to extensive environmental regulation and incentives. Use of low emissions technologies are being included in tenders, procurement and project costs.

7.2 Projects are also subject to rigorous environmental controls through the Resource Management Act.

7.3 CCNZ is concerned that the discussion document focuses on specific forms of technology, primarily on forms of low emissions technologies that do not currently meet the needs of civil construction companies. These decisions are already being approached and handled in much greater detail through project procurement and tendering.

7.4 Inclusion of externalities in the RUCs scheme will double up on action already taken through project procurement. It would escalate costs and timeframes for projects, practices and business activities already subject to the Emissions trading Scheme and incentivised achieve better environmental outcomes.

7.5 If the decision is made to incentivise or disincentivise types of vehicle use or transport activity through the RUC system, adequate time should be allowed for businesses, long-term projects and road maintenance projects to adjust to the new normal, as this will affect the fleet management of NZ businesses and therefore add to the already significant problem of business cost escalation.

## **8 eRUCs**

8.1 CCNZ does not oppose a move to eRUCs, but it is important that any change in this space is well managed. Decisions in implementing eRUCs should be made with a full understanding of costs involved, and the transition should be gradual to give road users time to adjust.

8.2 If the system is entirely shifted to eRUCs, it is important businesses are supported to make this transition as it may add cost by impacting their internal procedures.

## **9 Dealing with increased road wear and tear**

9.1 Spending of RUC should be focussed on whole of life cost rather than short-term fixes. Road freight and truck axle weights currently exceed the design specifications of many NZ roads, but investment to improve road design specification to meet the needs of heavier freight vehicles has not been made.

9.2 Truck horsepower and torque have increased dramatically since 2014, with payloads trailer length and axles all increasing and contributing to pavement degradation. The design standards exist, however there isn't enough money in the public purse to fund them. This is an instance where the network has not kept pace with advances in road use.

9.3 Trucks and high road maintenance go hand in hand. Even if funds are available for upgrading roads to meet increased freight trucking weights and repairs to the damage these vehicles create, contractors are short of workers to carry out regular maintenance.

9.4 The rail system is currently in the process of being upgraded to take on a bigger share and responsibility in moving goods around this country, which is beneficial and needed to reduce wear and tear on roads.

9.5 Despite this inter-relationship, the road and rail networks are separate things, and rail should have its own sustainable funding model rather than being factored into the RUC system and paid for by road construction and maintenance funding.

## 10 Conclusion

Thank you for the opportunity to make this submission, and for your time in reading it and noting the above points.

CCNZ is happy to provide further information or meet regarding this submission and can arrange further technical or specific feedback from members if required.

Please do not hesitate to contact me directly if you wish to arrange this.

Yours sincerely,

s 9(2)(a)

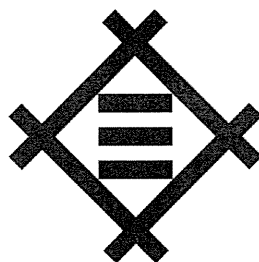


Alan Pollard,  
Chief Executive

s 9(2)(a)



Submission by



**MITSUMI & CO.**

Mitsui & Co NZ Limited

to the

Ministry of Transport

On

Consultation on Driving Change:  
Reviewing the Road User Charges System

April 2022

## About Mitsui

Mitsui & Co NZ Limited welcomes the opportunity to comment on “Consulting on Driving Change: Reviewing the Road User Charges System” (the Consultation Document).

As one of the oldest Japanese trading and investment houses in New Zealand, Mitsui & Co. Ltd. (“Mitsui”) has played an important role in promoting exports of key commodities and importing items supporting New Zealand industry over many decades. Nowadays we have dedicated departments for food, chemicals and steel but also work on projects such as hydrogen chain, livestock methane reduction and housing.

Mitsui signed a Strategic Alliance Agreement with Hiringa Energy Limited (Hiringa) in Jun 2020. After close discussions with Hiringa, Mitsui invested into Hiringa in Mar 2021, and Hiringa, Mitsui, K1W1 and Green Impact Partners formed Hiringa Refuelling New Zealand Ltd. in Sep 2021 to build a nationwide hydrogen refuelling station network for Heavy Fuel Cell Electric Vehicles (FCEV).

While the Consultation Document addresses several matters of concern, our comments are largely restricted to the topic of hydrogen and the acceleration of decarbonisation for heavy vehicles.

s 9(2)(a)

Jason Brown  
CEO, Mitsui & Co NZ Limited

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## Introduction

The RUC system has made an important contribution to the construction and maintenance of the nation's road infrastructure, and such infrastructure development and maintenance is one of the most important agendas for New Zealand. While we recognize that incorporating wider aims into the system may trigger deterioration of the current system, it could be effective if new funding sources can be identified to widen its aim and a process is set to allocate such funds.

New Zealand is well known throughout the world for its clean, green image, and this is reinforced by New Zealand's leadership in decarbonization. The government agenda for decarbonization – especially of transportation – is a very ambitious one. Transport comprises almost 50% of New Zealand's CO<sub>2</sub> emissions. Heavy vehicles comprise around 25% of transport CO<sub>2</sub> emissions, yet only travel 6% of annual kilometres travelled. Therefore, heavy vehicles are low hanging fruit for transport emission reductions.

If we want to achieve New Zealand's decarbonization targets we need to act now.

While New Zealand currently is one of a few nations taking a leading position on meaningful emissions reductions in the transport sector, we are at risk of losing our current spot at the top of the global queue : losing the momentum in terms of zero emission heavy trucks roll out through a lack of incentivization would result in a further delay in decarbonisation of the heavy fleet.

It will be important to provide options for emitting parties to either be able to:

- 1) reduce their own emissions, or
- 2) offset their own emissions through the ETS.

We think that the effectiveness of New Zealand's ETS system still needs to be monitored and that an actual reduction of emissions (rather than offsetting) is a more fundamental approach.

### **A level playing field for vehicle emissions reduction**

Internal combustion engines have played a key role in transportation in New Zealand for over a hundred years, and the relevant infrastructure supporting them is well established. But advances in technology mean that ZEVs (Zero Emission Vehicles) are now a viable alternative, as long as they are given the support they need to grow.

In order to close the gap with existing diesel/petrol fleets and allow ZEVs to compete with them on a level playing field, it will be necessary to help promote the uptake of ZEVs and build the according infrastructure. To make an impact in the short-term, we believe that extending the RUC exemption to other ZEVs, other than light Electric Vehicles (EV; mainly cars) and heavy EVs (trucks and buses), would be useful.



Therefore, we would like to recommend the following:

#### Recommendation 1

Currently, vehicles that generate electricity on board through the use of a fuel cell (e.g. hydrogen fuel cell electric vehicles) don't meet the definition of being an electric vehicle and are subject to RUC.

- We recommend to include Hydrogen Fuel Cell Vehicles (FCVs) in the RUC exemption and remove the wording in legislation 'if their motive power is derived wholly or partly from an external source of electricity.'

#### Recommendation 2

The RUC exemption provided to EVs is a long-standing incentive to encourage EV uptake and has been in place since 2009. FVCs should receive similar support and incentives, although we believe that FCVs will not require the 15-year exemption provided to EVs, as price parity with comparable diesel vehicles may be achieved before then.

- We recommend a RUC exemption for FCVs until 2030.

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MITSUI & CO.

360°  
business  
innovation.

Te Huringa Taraiwa: Te arotake i te pūnaha utu kaiwhakamahi rori

Margaret Harris (GM Innovation)

ContainerCo

s 9(2)(a)

***Submission on RUC from ContainerCo, with Specific Reference to Heavy Electric Vehicles***

***Background of the Submission***

ContainerCo restricts its submission to electric heavy vehicles. In this area, we concur and support Te Manatū Waka in its efforts to encourage the rapid growth of the national electric vehicle truck fleet.

ContainerCo submits that in our two years of testing and use, the electric heavy vehicle (unsurprisingly) produces:

- 1) Less noise
- 2) Less particulate matter and emissions
- 3) Fewer vibrations

We submit that electric heavy vehicles place far fewer burdens on “New Zealand Inc.”

ContainerCo is proud to have been able to provide a fully electric connection to either the railhead or to a local port, by road with few issues.

***Submission***

ContainerCo submits that the RUC regime can best support the uptake of electric heavy vehicles through the extension of its RUC-exemption programmes for such units until the units become common.

The RUC exemption currently lowers the through-life cost of owning an electric heavy vehicle, and brings a business case for owning one to within “striking distance” of a conventional unit depending on use.

ContainerCo submits that this RUC exemption must be continued until a certain percentage of the overall heavy vehicle fleet going electric would create a “tipping point” where ancillary services and associated plant would decrease in price. This point would be more appropriately understood by Te Manatū Waka. ContainerCo would suggest factors associated with this percentage would be e.g a thriving second-hand market for such units, technical knowledge becoming common among mechanics, and a large standardised charging network.

***Background on Company***

ContainerCo is an empty container services company. This entails storage, cleaning, refurbishment, remanufacturing, repair, testing, and transport for empty shipping containers. It has eleven sites across New Zealand, and employs 250 staff. Approx. 70% of staff are Māori or Polynesian Islanders (at all levels). 50% of the board are women, and 30% of head office at LGBTQ+.

### *Background on ContainerCo and Electric Trucks*

ContainerCo Transport links depots and either the railhead, or the closest port. In 2018, it was determined that these high-frequency, low speed shuttle runs could be economically completed by electric heavy vehicles. To that end, and with generous support from EECA, ContainerCo purchased one of the first heavy electric vehicles in New Zealand.

ContainerCo has since extensively tested the electric heavy vehicle, gaining experience on its operation and utility. In 2019 an additional order was placed for 11 advanced electric heavy vehicles, to be designed and manufactured in Palmerston North.

### *Issues*

Electric heavy vehicles have been proven by ContainerCo's work and are robust working units. However a number of issues do exist which challenge the ability of the fleet to scale.

A number of these are not necessarily able to be addressed directly through RUC. The market for electric heavy vehicles in New Zealand is immature. The second-hand market for units has not yet developed. The charging network is currently still in its early stages of expansion. It is also uncertain how long such vehicles will last overall.

All of these factors combine to create a (current) truth; electric heavy vehicles are a third more to purchase, up-front, than an equivalent diesel unit.

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## Drive Electric Submission: Reviewing the Road User Charges System

12 April 2022

### Executive Summary

Drive Electric is a not-for-profit advocacy organisation supporting the uptake and mainstreaming of e-mobility in New Zealand, a key part of decarbonising transport.

Drive Electric represents a member base comprising new car OEMs, used car importers and distributors, infrastructure organisations (electricity generators, distributors and retailers, electric vehicle service equipment suppliers), e-bike/scooters, heavy vehicle importers, finance, fleet leasing and insurance companies, along with electric vehicle users.

We have framed this response around our mission, which is to accelerate the uptake of e-mobility in New Zealand. We acknowledge that an RUC exemption is currently in place for light vehicles and heavy electric vehicles (but not hydrogen fuel cell vehicles).

We also would welcome the opportunity to react to more specific proposals in due course. It is, in part, difficult to fully assess the future role of RUCs in decarbonising transport without the context of the wider Emissions Reduction Plans in transport.

### Response

#### *The future purpose of RUC and externalities*

We support Te Manatū Waka's five aspirational outcomes for the transport system, specifically that a transport system must decarbonise.

A future RUC system should be designed so it enables or supports New Zealand to achieve its climate change targets, as well as generate funds for transport infrastructure.

However, the precise role of RUCs in this transition needs careful consideration including:

- Accelerating e-mobility is an important component of reducing transport emissions. A future road pricing system needs to be carefully designed so that it does not curtail the uptake of e-mobility or other new low emissions transport technologies or fuels.
- There are already policies and taxes in place that are designed to accelerate e-mobility, such as the ETS, the Clean Car Discount/Penalty and other proposed policy measures. If road user charges are further used to

disincentivize ICEs/stimulate EVs, how would that work alongside these existing measures? Policy effectiveness, cost per tonne of emissions reduced, equity and public support all need to be considered together.

- To avoid perverse outcomes, any changes to RUCs that were designed to support climate objectives would need to see equivalent measures placed on petrol vehicles through other mechanisms, so as not to disincentivise EV uptake. In other words, any incentives (or disincentives) should always support EV uptake, over petrol/diesel vehicles.

We also support the exploration of how road user charges in the future could be used to recover other costs relating to transport, beyond direct roading costs, including pollution and congestion. Ideas around road pricing and congestion charging should be considered as part of a package of mechanisms to ensure there is an investment in infrastructure, but also that climate and other objectives can be efficiently met.

The uptake of public and active transport and equity need to be considered as well, and should not be undermined by changes to RUC.

#### *EV Light vehicles and RUC*

New Zealand has a proposed target to reach 30% of the light vehicle fleet as electric by 2035 in the Government's Emissions Reduction Plan Discussion Document. This will require around 1 million new and used EVs to be brought into New Zealand over the next 13 years.

Measures will be required to stimulate electric vehicle uptake to reach this target.

By March 2024, the Clean Car Programme will have only been in existence for two years. By then, we might expect around 150,000 electric vehicles on the road (estimated).

Any changes to the RUC exemption must not undermine momentum towards meeting New Zealand's emissions budgets and transport targets. While it isn't understood the extent to which the RUC exemption supports the uptake of e-mobility in New Zealand, overseas evidence has shown that removing EV incentives too soon, slows down their uptake.

Decisions around implementing road user charges need to be responsive to levels of e-mobility uptake, available technology, and the supply of that technology. We must acknowledge that New Zealand is a taker of these new technologies and that we must be open to newer/better technologies.

That said, we appreciate that ways to fund transport infrastructure, including roads, need to be identified as petrol taxes and road user charges generate less revenue over time. This funding shortfall will intensify over time, particularly as ICEs are phased out globally by both states and by manufacturers from 2030.

It is reasonable, in time, for EV drivers to contribute to a fit-for-purpose road pricing system. Ultimately they should pay no more in equivalent RUCs than they would pay driving a similar fossil fuel vehicle.

We also suggest that when EVs reach price parity with ICEs and adoption reaches a tipping point, government incentives and exemptions will need to play less of a role in supporting uptake. RUCs should be introduced progressively as this change takes place.

We note the challenge of implementing the RUC on EVs already on the road in March 2024. Potentially, this could be implemented gradually and should be signalled well in advance. We support a distance-based exemption. For instance, to introduce RUCs for EVs from a specified odometer reading, eg first 30,000kms no RUC payable, to encourage the purchase of new EVs (which are then recycled back into the market as second-hand EV options).

#### *Administration*

Shifting to distance-based charging should be the goal, using electronic means or in association with the annual registration process (with consumers able to top-up easily online). We would welcome the opportunity to consult on a specific proposal options. There are implementation complexities with this that need to be explored. In particular, the benefit-costs.

Other complexities include:

- Privately funded roading comprises 12.1% of the New Zealand network used by light vehicles for day-to-day travel, according to NationalMap Ltd. If we use a distance-based methodology how is travel on these roads exempted from road user charges?
- How will RUCs on light vehicle EVs be levied, if they are different weights on a distance calculation?

#### *Heavy vehicles and RUC*

For heavy electric vehicles, we acknowledge that the uptake of electric buses in New Zealand is starting to accelerate, however, the number of electric trucks is still very low.

At COP-26 New Zealand signed the global Memorandum of Understanding on Zero-Emission Medium and Heavy Duty Zero-Emission Vehicles (ZE-MHDVs) which commits to having 30% of heavy vehicle sales as zero-emission by 2030 and 100% by 2040.

The RUC exemption on heavy vehicles should be retained until there is at least an equivalent package of incentives for heavy electric vehicles in place which is consistent with achieving the Global MOU on ZE-MHDVs.

For existing electric heavy vehicles, the RUC exemption should not be removed entirely if up-front incentives are established for new heavy electric vehicles to replace the RUC exemption, as this penalises early movers in heavy electric vehicles which have made a significant private investment for public benefit. Instead, the RUC exemption could be retained or wound down over the life of existing electric heavy vehicles which have not benefitted from purchase incentives.

To use a specific example Mahu City Express took delivery of two full-electric luxury coaches in 2021. These vehicles run under a permit due to their weight, as battery vehicles are more equivalent than diesel equivalents. If RUCs were to be applied this could cost Mahu \$837 per 1000km. Effectively, this would make it more expensive to run zero emissions coaches, relative to their diesel counterparts.

In summary, we see a need for the exemption to continue through to at least 2030 and this to be well signalled to the market. In addition, we recommend some sort of grandfathering scheme or similar be used to recognise those that moved early to adopt electric coaches and trucks and not penalise them for this move.

#### *RUCs on buses/coaches*

We also note that buses have high loadings in peak periods (mornings and late afternoons), but outside this period have relatively low loads. Buses run routes up to 20 hours per day, and only for four hours are loaded to Gross Vehicle Mass (GVM). Operators are paying for that GVM rate on their RUCs when most of the time they operate at four tonnes or so less. Any consideration of RUCs should take this into account - given the public interest in stimulating public transport (and electric buses).

If a weight-based methodology is continued, a potential solution could be having buses pay for an RUC on tare weight, and add a passenger charge through the ticketing system.



27 April 2022

RUC Review  
Ministry of Transport  
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Tēnā koutou

**Submission on e Huringa Taraiwa: Te arotake: te pūnaha utu kaiwhakamahi rori Road User Charges Consultation**

1. The Dunedin City Council (DCC) welcomes the opportunity to submit to Te Manatū Waka the Ministry of Transport on e Huringa Taraiwa: Te arotake: te pūnaha utu kaiwhakamahi rori Road User Charges (RUC) Consultation.
2. The DCC is supportive of using RUC to charge for externalities, including greenhouse gas emissions, greater use of electronic RUC (eRUC), and reviewing how RUC is managed to make it simpler and more cost effective for end users. In addition, the DCC requests that Te Manatū Waka work with Councils on enforcement options before implementing any proposals to remove physical vehicle licences.
3. While not specifically asked in the consultation, the DCC advocates for transitioning all vehicles to a distance-based RUC system. The system could incentivise improved environmental outcomes rather than retaining a dual system with Fuel Excise Duty (FED) and RUC, and exemptions to RUC based on vehicle type, use or fuel.

***Support use of Road User Charges to charge for externalities including greenhouse gas emissions***

4. In 2018/19, the transport sector was assessed as Dunedin city's largest source of carbon dioxide emissions. In 2019, the DCC declared a climate emergency and set the ambitious goal of making Dunedin city net carbon neutral by 2030. Road transport greenhouse gas (GHG) emissions are a significant challenge to achieving the goal of being net Carbon Zero by 2030.
5. Currently, GHG are priced through the Emission Trading Scheme but this plays a limited role in influencing behaviour. The light diesel fleet has increased significantly over the last 10 years with fuel efficiency improvements largely being offset by larger vehicles.
6. The DCC supports the addition of charging for externalities like GHG emissions as part of the RUC system. The DCC believes this would provide a clear signal for people of the impacts of their fuel use. This could also influence vehicle purchasing decisions.

7. The discussion document also seeks views on whether additional revenue from pricing of externalities could be used to mitigate the impacts of the transport network on the environment. This is different to the current approach where all the revenue collected from RUC goes into the National Land Transport Fund.
8. The DCC supports some RUC revenue being used for non-transport interventions as well as to increase provision of lower carbon modes and maintain the existing transport network. Some non-transport interventions can play a significant role in reducing the carbon footprint of travel. For example, investing in more services within communities, or improving access to online services can reduce the need for people to travel long distances to access essential education and health care. The DCC believes that consideration should be given as to whether full hypothecation of road transport revenue is still appropriate. The DCC considers non-transport interventions may be the most efficient and effective means of ensuring people have access to essential goods and services while reducing the carbon footprint of travel.

***Support transitioning all vehicles to distance-based charging that incentivises environmental outcomes, rather than a dual system with FED and RUC, and exemptions to RUC based on vehicle type, use or fuel***

9. It has been widely recognised that there will be impacts on fuel tax revenues as petrol vehicles improve fuel efficiency or are replaced with electric vehicles (EVs). An additional consideration is that with new fuel types emerging (different mixes of biodiesels and vehicles with dual fuel sources (e.g. hybrid petrol electric vehicles)), continuing to use exemptions and refunds risks confusion and high compliance costs.
10. Plug in hybrid EVs are one of the faster growing types of low carbon vehicles being registered. Once the current exemption to RUC expires, these vehicles will be subject to both FED and RUC with the need to seek refunds. The DCC believes that this will create high compliance costs and reduce incentives for these lower carbon vehicles. In the longer term an exemption-based approach to EVs, or alternative fuels could undermine the security of revenue needed to fund the maintenance and operation of the transport system.
11. The DCC supports a transition over time to replace FED with all vehicles being charged based on distance using an amended RUC system that takes into account emissions, damage to roads and other externalities. Setting out a transition pathway away from FED to a RUC model now will enable a smoother transition, as the proportion of vehicles in the fleet using petrol as their primary fuel source reduces significantly in future years impacting on FED revenues.
12. The DCC suggests that smoothing the transition of EVs currently in the fleet and exempt from RUC into the RUC regime could be managed by phasing it in based on warrant of fitness (WOF) renewals. Under this approach, rather than all vehicles being eligible on a set date and people being required to submit an odometer reading, RUC could be phased in as vehicles undergo the next WOF. This would enable the odometer readings to be taken by warranting officers, rather than relying on potentially inaccurate self-reporting.
13. The discussion document proposes two different ways of dealing with different fuel types under RUC. The DCC supports enabling the use of regulations to determine how individual fuel types, or vehicle configurations are priced as this would enable greater flexibility to adapt as different fuel types and mixes become more common. The DCC believes an

exemptions based approach set out in the Road User Charges Act risks greater confusion and is less flexible as technologies change.

14. The DCC also believes that although there would be a higher initial cost in developing and applying differential pricing through regulations, if this was applied to all vehicles there would be economies of scale and efficiencies compared to retaining two separate systems for petrol and other fuel types. It could also enable clearer signalling of the environmental impact of different vehicle and fuel types to consumers.
15. The DCC believes that transitioning away from FED to all vehicles pay RUC would also allow for the gradual transition of motor bikes, mopeds, and all-terrain vehicles into the same charging system as other vehicles. As RUC already provides a system for managing refunds for off-road use of vehicles, a consistent approach could be applied across all classes of vehicle.

***Support greater use of eRUC and reviewing how RUC is managed to make it simpler and more cost effective for end users***

16. The DCC argues that the current system of pre-purchasing RUC in increments of 1,000km is one of the barriers to transitioning all of the light vehicle fleet, as it requires people to regularly purchase distance-based RUC in advance and requires odometer checks for compliance. Transitioning to greater use of eRUC could contribute to:
  - a. lowering RUC compliance costs through greater automation and ease of use
  - b. simplifying the administration of off-road trips and refunds
  - c. reducing tax evasion
  - d. minimising the administrative burden for the Waka Kotahi NZ Transport Agency, enforcement officers, and vehicle owners
17. While the cost of eRUC readers is currently a barrier, the DCC believes that if the system was reviewed to develop a simplified eRUC and phased in for all new vehicles over time, this could be minimised.

***Request that Te Manatū Waka works with councils on enforcement options before removing physical vehicle licences***

18. Currently DCC enforcement officers use software to capture the vehicle details by scanning licence labels when enforcing parking infringements and expired licences. Any move to remove these labels without ensuring that alternative options are in place would significantly reduce the efficiency of enforcement of parking. The DCC requests that Te Manatū Waka work with Councils and parking software providers to ensure appropriate options are in place to replace the role currently played by paper labels in parking enforcement.

Nāku noa nā

s 9(2)(a)

Aaron Hawkins  
**MAYOR**



## Submission on Driving Change: Reviewing Road User Charges System

Produced on Behalf of Dynes Group of Transport Companies

Company Contact: Steve Divers (Risk & Compliance Manager)

s 9(2)(a)

s 9(2)(a)

### Background:

Dynes group is combined of a group of transport companies including Dynes Transport Tapanui Ltd, Icon Logistics Ltd and Herberts Transport Ltd, with the former being a family business in operation for 50+ years. We are an innovation led tech savvy company that develops technology to ensure we are safe, compliant, and deliver efficiencies for our customers; operating throughout New Zealand.

***Any and all financial or personal information contained within this submission must not be disclosed or disseminated publicly without the consent of the author due to the commercial sensitivity of a competitive transport market.***

In response to the questions listed 1 though to 89, our submission:

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?*

Historically we build cheap roads that are expensive to maintain. When cost cuts are made on maintenance and renewal, our roads suffer, decisions tend to extend the life of the asset rather than plan for maintenance and safety upgrades. This has led us to a very poor outcomes on quality of asset (roads) and creates flow on costs for maintenance on vehicles which are additional costs borne by commercial operators.

Recent history on critical roads being washed out or damaged (Ashburton Bridge) are key examples of the fragile asset we rely upon, and the fragile nature of our supply chain. This has been further hampered by Picton-Wellington ferry services being drastically reduced due to unplanned ferry maintenance; RUC alone should not fund all roading as a road is an asset that the cost to recover should be over the lifespan of the asset.

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

In short, RUC should not be used to subsidise other forms of transport such as Rail or cycling etc. All revenue generated by RUC should be ring fenced for road maintenance as alternatives such as tolling do exist, where an alternative route has been funded which delivers safer or more direct access. This choice of route for benefit creates a fixed cost where it delivers advantageous efficiency.

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

Once upon a time RUC rates were set by the damage done per 1 tonne weight bracket using an algorithm considering the vehicle axles. This link was removed in 2012 and now the rates are set to create a revenue stream unrelated to proportional damage. This becomes further ambiguous when consideration is given to whether safety ratings and emissions are considered as proposed in this document. Over the years we have built a national vehicle fleet which is directly influenced by RUC rates, longer heavier vehicles with higher horse-power prime movers, more efficient and no financial benefit has been received by the introduction of Euro 5 & 6 powered vehicles.

*Q4: If externalities were to be considered, what criteria could be used to determine what externalities should be taken into consideration into account in setting RUC rates?*

This would over complicate a system which is already complex to administer. If externalities are to be considered, then this should be at the time of registration and continuous licensing, rather than borne by the RUC system. The underlining register (Landata) is outdated and unlikely to cope with significant technological change without renewal. Our technology hampers our ability to innovate in this area.

*Q5: If externalities were to be considered, how should these costs be set?*

Government has already created alternatives such as the clean car discount, there is precedence now which can be analysed for changing behaviours, influence on updating the national fleet. RUC has been largely unaffected although electric light vehicles are exempt from RUC, originally until they met a 5% threshold, but this appears to have been extended.

*Q6: Would charges for externalities be in addition to the current form of RUC, and potentially used to address the externalities directly, or be core part of total land transport revenue?*

Treat these other externalities as different to the RUC regime as we rely upon RUC to be a fixed cost to limit the variable costs in transport, where variability could be introduced is in registration fees and permitting fees.

*Q7: How would vehicles not paying RUC be affected?*

As stated already light electric vehicles are currently exempt, however, they still have right of access to the network in which diesel vehicles are effectively subsidising their use. They are still required to be registered, perhaps a road tax fee should be introduced for light electric and diesel vehicles to remove the need for the current distance-based RUC revenue stream, and thereby remove the issue of light diesel vehicles evading RUC through wilful tampering of distance recorders. These could be split between commercial and non-commercial registration. I would suggest only heavy vehicles be subject to RUC requirements.

*Q8: What are the advantages and disadvantages involved in changing the purpose of the RUC act so climate policy generally, or greenhouse gas emissions specifically, can be considered when setting RUC rates?*

We would submit these should never be considered for RUC rates as the cost and complexity to administer would be a substantial drawback. RUC should be based upon simple categories at weights that are either at or above the legal limits. The current system gives clear guidance on operational costs as there are already additional costs borne by operators on later Euro vehicles requiring urea treatments to maintain compliance with emissions standards. We note there are no penalties in legislation for removing these emissions systems.

*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?*

Remove complexity, if exemptions are required this shows legislation is poorly drafted, consider light vehicles be removed from the RUC system and only include electric heavy vehicles by a different RUC classification.

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

If greenhouse gas emissions were considered for RUC purposes, then heavy trailers would be exempt as they produce no emissions. We would submit that you avoid any greenhouse gas emissions from the RUC regime, particularly when the Government doesn't mandate the emissions levels of heavy prime movers at the time of registration and entry compliance.

*Q11: Should RUC rates be set for vehicles that could use more than one fuel and these fuels had different greenhouse gas emissions?*

This is unlikely to apply to heavy vehicles as current technology would mean heavy vehicles using more than one fuel would be too heavy to operate efficiently (significantly reduced payload capability). Light vehicles are already taxed at source for petrol and LPG, so no benefit at this time of giving further consideration to this issue as Diesel hybrid vehicles are not currently available as manufacturers favour petrol derived hybrids.



*Q12: What advantages and disadvantages are involved in using NLTF revenue to reduce carbon emissions rather than foregoing RUC revenue?*

NLTF & RUC revenue should not be used to reduce carbon emissions, this is best addressed by Government policy on what vehicles can enter the national fleet. The complexities that this would introduce would make compliance more costly and allow for evasion.

*Q13: 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)?*

The RUC regime should not be used to collect revenue on vehicles where the damage to roads is negligible (light vehicles). This would be better served through a road tax purchased at the time of registration (or renewal) for those vehicles powered by fuels not taxed at source. This would remove in a large part light diesel vehicles RUC evasion as there would be no incentive to remove or hide kilometres travelled and would simplify the RUC system. Currently a current WOF is required to relicence, fuel tax would be the same as the fuel type cannot be changed without an inspection by a TSDA agent requiring an NZTA form MR16 to be completed.

*Q14-Q16 Relating to emissions and fuels:*

See existing submissions stated in relation to RUC regime.

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

By limiting the RUC regime to only heavy vehicles (vehicles more than 3500kg). This is a heavily regulated industry and the ability to create regulations within the primary legislation is relatively straight forward.

*Q18: What are the advantages and disadvantages of mandating eRuc for heavy vehicles?*

There are significant costs to operate eRuc for a fleet, for our own company this equates to a cost of s 9(2)(ba)(i) in the last 12 months for the rental, fitting and replacement of eRUC units, with the cost of purchasing RUC on top of this capital expenditure. Operating eRuc is not a cheap option and currently there is no compliance advantage to use eRuc, other than some efficiency gains in purchasing and additional benefits of monitoring the fleet. There should be an advantage of investing into this technology as the regulator can make use of information that is available (as probably does). The Government should consider how they could incentivise eRuc through HPMV permitting and other means, rather than mandating something which may not be required or just adding more compliance costs.

*Q19: What vehicle types should or should not be required to use eRuc? Also covers Q20-Q27.*

All heavy vehicles operating on any higher mass permit should be required to operate eRuc, as there is an obvious benefit of understanding the laneways where additional funding is required to maintain the network, as permitted vehicles will increase road wear and damage.



Targeted funding for road improvements & maintenance is beneficial for NZTA and better understand freight volume movements, kilometres travelled and time periods for commercial users. The NZTA currently has access to some of this data but may not make full use of it.

Many transport companies including ourselves, use integrated technology for elogbooks and eRuc and so therefore there are current legislative abilities to request data to ensure compliance by enforcement officers.

I am mindful that any further powers would require public scrutiny and specific industry consultation, as this is too wide a subject to give specific feedback without understanding what could be proposed.

*Q28-Q41: Cover exemptions and duplicate some areas covered in earlier questions, so therefore general topic response:*

We re-iterate our earlier comments that light vehicles should be removed from the RUC regime and rely upon a fuel tax category at the time of registration or re-licensing as there are existing categories of exempt vehicles EA & EB based upon use. These however, are not subject to the scrutiny of RUC by NZTA who appear to have avoided tackling incorrectly registered vehicles. By introducing a threshold of 3501kg as the start point for collecting RUC would enable a simpler and more effective RUC regime.

*Q42 & Q43: What changes should be made to section 12 of the RUC act to improve the overweight permit regime?*

This is currently problematic as to operate on a RUC H type category the changes have to be made by NZTA, this only occurs during normal business days between 8am-5pm. The NZTA should reflect the industry and have availability to change classes at any time, as each time a change is made a cost of \$46+GST is borne by the operator.

The other issue is that we may vary our permit weights and operate on three permits i.e. a nine axle combination at H94, H95 & H96. This involves 3 different weight permits of 50, 54 and 58 tonne respectively, the issue around this is having to change the RUC type to operate on a type H licence to match the permit weight. The system prevents us from operating on a H type and buying additional licences up to the next permit weight. This leads to an inflexible fleet and constant administrative changes where payloads vary. To reduce this complexity larger RUC bands should be considered as permits are generally applied for at the top of each RUC weight band.

The NZTA currently has facility in the legislation for alternative payment schemes, these should be explored to allow easier reporting of RUC weights and required distances which could be verified through eRUC. This could become a post RUC purchasing scheme.

*Q44-Q47: What are the advantages and disadvantages of removing the requirement to display a physical RUC label:*

There is very little disadvantage for heavy vehicle operators using eRUC, where licensing is purchased on mechanical distance recorders the requirement to display should remain, as this may be the only immediate verification that a valid RUC licence has been purchased.

If light vehicles were no longer subject to the RUC regime this would vastly improve compliance, as there are dedicated Police enforcement for the transport industry but limited Police resource for light diesel vehicles.

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

The producers of this consultation document appear to be unaware the cost of a RUC licence is determined on the basis that 50% of travel within that 1,000km will be at tare weight (unladen) for heavy vehicles. If light vehicles were removed from the RUC regime, then alternative methods of payment could be developed specific to the transport industry, including verifiable post payment on an actual kilometre basis verified through eRuc provider or telemetry.

*Q49-Q51: What advantages and disadvantages of removing the requirement of displaying physical registration licences?*

Our submission is that this requirement should remain as this highlights the vehicle class relevant to the registration, whether it is an exempt vehicle or a special type.

*Q52: What advantages and disadvantages of letting NZTA use historical RUC rates when carrying out an assessment?*

This would appear to be a rational decision as the nature of what is considered as evasion within the transport industry has changed drastically since the introduction of the 2012 act. Purposeful evasion really only exists within the light diesel vehicle users over running or deliberately altering distance recorders (odometers). Hence our submission to consider an alternative regime for light vehicles.

*Q53-Q57 relate to alternative fuels including Ev's:* Our submission is to remove them from the RUC regime.

*Q58-Q64 relate to offences and penalties:* Our submission is that they are currently proportionate for heavy vehicles users, where the system fails is the inability for NZTA to rectify the issues with light diesel vehicle users and lack of enforcement on light diesel owners. That is why a different regime for light vehicle is warranted.

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

The system requires modernisation and simplification to reduce compliance costs for the regulator and the transport industry.

*Q66 relates to EV's, our submission is to remove them from the RUC regime and develop an alternative taxation based upon motive power.*

*Q67: What advantages and disadvantages of our proposed approach to classifying vehicles with 8 axle configurations?*

The proposals appear logical, however there are discrepancies in the VDAM regulations relating to 7 axle combinations with a first to last axle spacing of 16.8 metres that could achieve 45 tonne as of right but are actually limited to 44 tonne due to a short 2-7 axle spacing. This is only apparent when taking the first to last principle into consideration between axle groups, and appears to have been missed by the drafters of the VDAM regulations 2016.

*Q68-Q73 relate to light vehicle distance recorders.* This is a very problematic area as there are some very technological based systems that are very difficult to detect that have been fitted to a light vehicle to deliberately disguise the true odometer reading. An inspection by a WOF or COF inspector is visual only, so they are unlikely to discover any tampering, that is why our submission is that light vehicles be removed from the RUC regime. This would eliminate distance-based evasion by light vehicles.

*Q74-Q76 relate to records kept by an operator and introduces the notion to make and retain based records:*

In reality not all transport operators will have weight-based records or that they are inaccurate. The reasons being not all commodities carted are weight based, but volume based, load based or dictated by customer requirements, a classic example being JAS measurements for exports logs (theoretical volume based on smallest end diameter, log length and sweep). These can be inaccurate and conversion to an accurate weight is problematic.

To require companies to make specific records just for NZTA RUC compliance would be onerous and expensive, as weigh bridge fees vary. Also, there is no legislation that requires a vehicle tare weight to be accurate, this was removed under the transport services licensing amendments. So even if a weight was recorded the likely tare weight of the carrying vehicle is likely to be incorrect.

We would also challenge the notion that weigh based evasion is an issue, as the NZTA made redundant the Economic Compliance Unit shortly after the introduction of the 2012 RUC act, under the belief that weight based evasion was no longer possible. One must question why this proposal is even included in the consultation document as it's an outdated view.

As highlighted previously, if the RUC bands were wider then there is no requirement for weight consideration unless operating above legal maximum weight would be required. This could easily be a requirement of operating on a permit, to keep accurate weight-based records.

*Q77-Q79 relates to third party records for assessment.*

Our submission is that NZTA have sufficient powers to require documents and records for an assessment to be made with existing terms of when third party records can be obtained. The consultation document proposer assumes evasion is still prevalent, however, there is nothing to suggest other than light vehicles, that evasion still exists. In relation to light vehicles, it is distance-based evasion not weight that is at issue, if they were removed from the RUC regime then this would no longer be an issue.

*Q80-Q82 relates to requirement to carry a RUC licence and is covered in earlier submission regarding the display of licences.*

*Q83, Q86, Q87 & Q88 relates to vehicles operating on the road for maintenance or repair and all terrain tyres.*

We would submit that there is sufficient exempt classes of vehicles (from registration and licensing) which should mean they are also exempt if travelling unladen to and from a place of inspection or repair, this could however have a limit on the distance allowed to be travelled on the road i.e 50kms. This limit aligns with the logbook and worktime regulations on class 2 vehicles exemptions to maintain logbooks

In relation to all terrain cranes, they are problematic due to the influence of the VDAM rule and the RUC weight calculated, and it is impractical to convey them via transporter to site. So therefore, we would submit that they have a nominated RUC weight set by the agency that relates to their actual on road weight in a special type category with consideration given for number of axles. These vehicles will already operate on an overweight permit in many instances and hence the RUC purchased must equal the permit weight.

*Q84 & Q85 relates to the 20-day time limit for reviews:*

This in our view is a futile exercise as the reviewer is not able to consider how an assessment has been derived, only whether the NZTA has followed its own policy which is often poorly administered and so therefore they are not viewed by industry as an independent assessment

There is an issue in the time it takes for NZTA to issue an assessment as this is conveyed via standard post often arriving only a matter of days prior to the expiry of the 20-day limit, this should be extended to 2 calendar months to allow for delays and seeking information from the NZTA.

*Q89: What other technical amendments should be made to the RUC Act, its regulations or the rules, and manuals that make up the RUC system?*

There are many flaws in the current RUC system, our submission is that NZTA work with the whole of industry to define the many issues and create a legislative framework that works efficiently and fairly and reduces the cost of compliance for industry and the regulator.

***Submission Ends.***

22 April 2022

Ministry of Transport  
C/o RUCConsultation22@transport.govt.nz

# RUC System Review discussion document

## INTRODUCTION

EROAD is a technology company specialising in regulatory vehicle telematics, providing services in New Zealand, Australia, and the United States. We appreciate the opportunities to participate in this review.

Representatives of EROAD are available to speak on the submission at your convenience.

## ABOUT EROAD

EROAD believes every community deserves safer and more sustainable roads that are sustainably funded.

This is why EROAD develops technology solutions that enable the better management of vehicle fleets, support regulatory compliance, improve driver safety, and reduce the social, economic and environmental costs associated with driving and roads.

In 2010, EROAD became the first supplier of electronic Road User Charges (eRUC) services in New Zealand. Today we support our customers in tracking and managing over 100,000 vehicles on New Zealand's roads and worksites, and another 100,000 across North America and Australia.

EROAD offers a broad suite of products which leverage our in-vehicle hardware to support safe use of the roads and optimised vehicle use by our customers. We supply an electronic logbook in New Zealand that provides a robust and secure method for meeting worktime and logbook requirements. We also provide valuable data, analytics and insight to universities, government agencies and others who research, plan or evaluate transport network performance.

EROAD (ERD) is listed on the NZX and ASX, and employs over 600 staff located across New Zealand, Australia and North America.

If you would like to know more about EROAD, you can visit <https://www.eroad.co.nz/>

## ABOUT OUR SUBMISSION

Our submission comprises two parts:

- a general commentary (pp2-4)
- short responses to some of the questions presented in the discussion document (pg5 on).



## GENERAL COMMENTARY

### A system review must look and influence beyond the RUC Act

The Road User Charges Act 2012 (**the RUC Act**) provides the statutory basis for the road user charges (**RUC**) mechanism. It is not intended to be all things to all situations, but to provide a good tax instrument – one part of a system of laws that define, resource and govern the land transport sector.

We consider two important principles for any review of the RUC system to be that:

- It preserves and enhances RUC as a good tax instrument – i.e. use-based recovery of a fair share of costs imposed by vehicles.
- It leverages or amends, as appropriate, the functions and capabilities of the wider land transport system to do those things that sit beyond the RUC tax instrument.

### eRUC and regulatory telematics are still evolving and are not ready for mandating

Although eRUC has been operating for ten years, and telematics systems have been around even longer, the ground has not been prepared for them to be mandated into universal service.

The current 'standard' electronic-RUC (**eRUC**) system is designed for operators with complex RUC management and compliance challenges. These regulated minimum requirements for these systems impose minimum costs that are too high for them to deliver a positive return on investment for many small operations.

- The requirements for electronic distance recorders (**EDRs**) should reflect what is 'fit-for-purpose' for the nature of the use/user. Lower specification systems – e.g. no location recording, no integral display, less frequent data uploads – should be enabled to serve simpler or lower revenue risk use cases.

The current Waka Kotahi 'back end' of databases and so on lack appropriate, modern interfaces to enable the benefits of existing telematics systems to translate into improved access and use of the network. This places a cap on the public and private returns on investment achievable from current systems and suppresses demand, from operators, for further innovation from system providers.

- Complex operations, where heavy vehicles change between types by dropping and adding trailers, sometimes working within general access weights and sizes and sometimes over these on permits, should be able to take advantage of their telematics systems to: access real-time permits; track operating configurations and conformance with conditions, itemising the distances and netting out relevant off-road distances; and post-pay for trips/journeys.
- Fleets that earn the right to post-pay for their RUC on a periodic basis should be able to reconcile the whole fleet in one transaction, receiving one invoice (instead of the current case where they receive two invoices per transaction per vehicle).
- All transport documents should be able to be purchased, endorsed or renewed electronically.

The current eRUC regulatory framework assumes a 'one business does everything' model, where the electronic system provider (**ESP**) provides the EDR, the underlying platform/system, the agent services on behalf of Waka Kotahi, and the agent services on behalf of the road user/operator. The model fails to capture component suppliers, who are free to supply unregulated 'electronically-

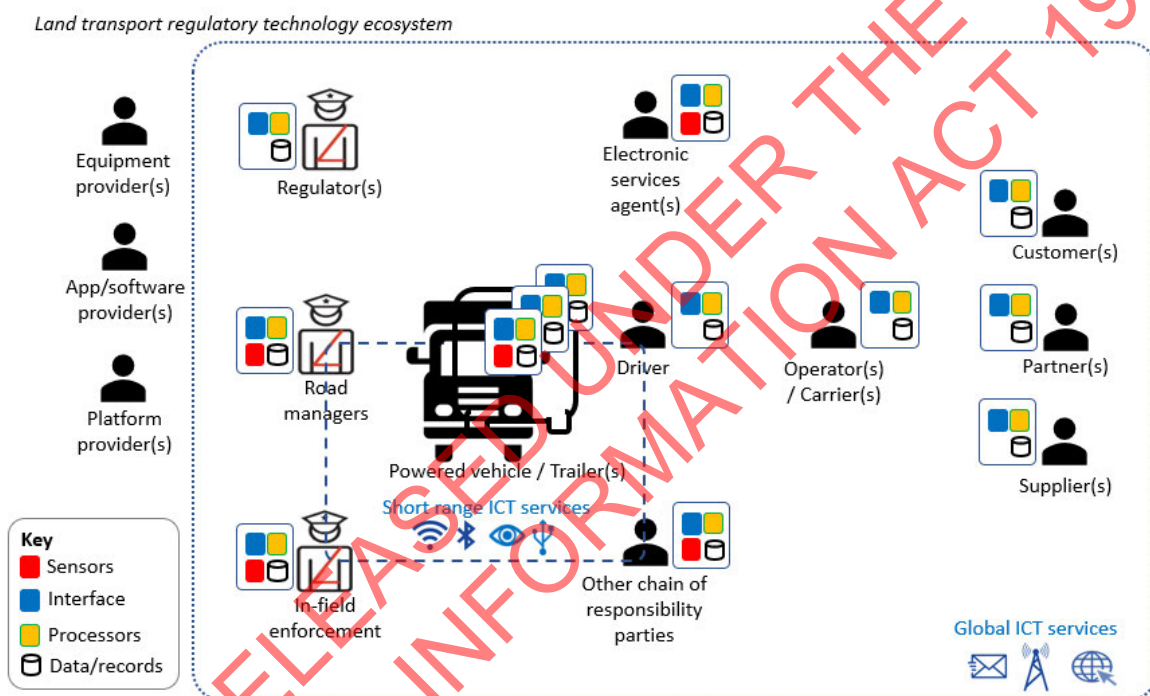


assisted' RUC services, while also failing to position the wider regime to take advantage of competition to supply components, consolidate and specialise agent services, and so forth.

Noting that the legislative process is likely to take 2-3 years to bring about a restructuring of the eRUC regulatory regime:

- Responsibilities within the eRUC system should be segmented and stratified to reflect the possibility of entities only performing or supplying selected things – but with consistent minimum standards of performance applied for each thing or class of thing.
- The definition of an EDR should not be based on who supplies it (currently an ESP) but on it being certified as meeting the minimum functional requirements of a distance recorder.

This review presents an opportunity to think about the whole regulatory technology ecosystem, as illustrated below.



It may be that the most appropriate place to locate the regulatory framework for such an ecosystem is outside of the RUC Act – most probably in the Land Transport Act 1998 – with the RUC Act focussing on the detail specific to RUC, including defining the relevant chains of responsibility that can drive RUC non-compliance.

### **E-logbooks are ready for mandating, but are not optimally regulated**

Electronic logbooks (**e-logbooks**) are ready to be mandated.

They are app-based, so do not need specialist equipment, just a personal smart device. They are low cost to run. They avoid many of the shortcomings of paper logbooks, especially the ability to create a truly unique, indelible record of declared worktimes. They offer advantages of being able to prompt drivers and actively support compliance.

However, e-logbooks are currently constrained by the need to mirror paper logbooks and not impose obligations on e-logbook users that exceed the obligations on paper logbook users.





- Thought should be given to the most logical set of requirements for users of e-logbooks once the constraint of the paper system is removed.

E-logbooks are authorised and regulated using Waka Kotahi's discretionary powers relating to approving alternative means of compliance. This has worked well, but it does not offer the same level of certainty and assurance of consistency that the 'code of practice' approach used with eRUC offers.

- Thought should be given to establishing a common framework for regulating compliance-supporting technologies (including but not limited to eRUC and e-logbooks), extrapolating from the eRUC framework and the lessons that can be learned from its ten years of operation. For example: limiting statute and regulation to defining purposes, outcomes and performance requirements, and delegating matters of 'how' to codes of practice co-produced with industry and issued by the regulator.

### **Regulation needs to be underpinned by appropriate 'info-structure'**

Regulatory compliance and regulatory management depend on good information. The requirements to create and retain records need to reflect who has power in the system to create or subvert regulatory outcomes, and what information is needed from and about them to monitor their behaviour and demonstrate compliance.

- Chain of responsibility obligations should be updated and clarified in land transport legislation, with information and record keeping requirements then consistently extended and aligned.

Exemption policies need to be supported with more, not less, information. The current exemption powers tend to result in the exempt vehicles 'disappearing' from view. Where the exemption applies to a small number of vehicles this is not such a problem. However, the electric vehicle exemptions show the policy problems created under the current framework when applied to a large and growing class of vehicles.

- Term-limited, large scale RUC exemptions should be enabled through a 'zero-rate' licence, so that distance records are still created for the exempted vehicles, and this uptake data is available to support any monitoring and evaluation the performance of the policy.



## RESPONSES TO OTHER QUESTIONS

### Section 1 Should there be changes to Fuel Excise Duties (FED) settings

- Yes.
- Relativities should be maintained between the land transport revenue drawn from light RUC vehicles and that drawn from other light vehicles, to ensure all road users pay their fair share towards maintaining and improving the road network.
- As the ETS component of the fuel price increases, the temptation may be to off-set some of the road tax component against this. In principle, this is a bad idea as it undermines both transparency (a subjective judgement must be introduced to the already complex cost allocation model) and the integrity of both policies (user pays for roading and polluter pays for emissions).

### Section 2.0 Using RUC to collect more than just direct costs

*Question 1. What are the advantages and disadvantages of using RUC to recover more than the direct costs of building, operating, and maintaining the land transport system?*

- RUC 'works' for costs that scale according to road use, i.e. where there is a direct relationship that can be drawn. 'Direct' is usually used to refer to construction, operation, maintenance and renewal costs. However, the current system already recovers expenditure on less direct costs such as congestion (through public transport subsidies), and environmental and amenity costs (through remediation costs in improvement projects). The current basket of costs illustrates that the direct-indirect distinction is not entirely accurate or helpful.
- RUC should be used where the things it is based on measuring truly reflect the effect being priced or charged for. Where another mechanism exists for the output/outcome of interest, then that other mechanism should be used.
- For example:
  - a. Carbon/greenhouse gas (**GHG**) emissions are best priced via a charge on the fuel. On the other hand, particulates could be surcharged via a RUC rate reflecting distance travelled and engine standards (e.g. no charge for a Euro VI standard vehicle, reduced charge for Euro V and so on).
  - b. Congestion charges are best priced via tolling methodologies that take account of a vehicle actually being at a location of interest, at a time or circumstance of interest. (In some use cases eRUC systems might provide a means for tracking liability, but this is about using the equipment, not building the toll into the RUC rate).

*Question 2. If RUC should not be used for recovering more than road costs, what alternative approach might be appropriate for recovering those other costs?*

- As per the examples set out in response to question 1, constraining RUC from "recovering more than [direct] road costs" would be a retrograde step because it undermines the pragmatic flexibility that already exists within the regime.

### Section 2.1 Including externalities in the costs considered in setting RUC rates



*Question 3. What advantages and disadvantages are there to considering externalities when setting RUC rates?*

- See response to question 1.

*Question 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?*

- See response to question 1.
- RUC is for roads. If the National Land Transport Fund (**NLTF**) is not being used to fund a cost associated with an externality, that externality should not be priced via the RUC pricing mechanism.
- The RUC collection mechanism could be usable in some cases, e.g. where eRUC can substitute for location-based systems, but the associated charge should be clearly separately identified, and not 'disappeared' into the RUC rate.

*Question 5. If externalities were to be considered, how should these costs be set?*

- If this relates to a generalised approach to pricing, then costs would be based on budgeted and projected expenditure, apportioned across users via the cost allocation model (**CAM**).
- If this relates to deliberately influencing behaviour to reduce a negative effect by attaching a price to it, then prices should be related to delivering the desired level of performance, not 'cost'. RUC is unlikely to be responsive enough to be the appropriate mechanism for passing on these kinds of prices.

*Question 6. Would charges for externalities be in addition to the current form of RUC, and potentially used to address the externalities directly, or be a core part of total land transport revenue?*

- Revenues generated by pricing externalities are likely to be over and above revenues collected to address the costs of road wear and improvement, even if substituted for them. The surplus should not be seen as necessarily 'belonging' to the transport sector. It might be better understood as funding to shift underlying drivers or harmful consequences of the externality in question

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

- The rate of fuel excise duty is already pegged to the RUC rate for a light RUC vehicle. To the extent that any externality charge is added to the basic per kilometre rate for a light RUC vehicle, this will (assuming relativities are maintained) also be reflected in the per litre rate of taxed fuel.

## **Section 2.2 Including impacts on greenhouse gas emissions when setting RUC rates**

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

- The RUC Act gives effect to choices made within the frameworks established through the Land Transport Management Act 2003 (**the LTMA**). It establishes the charging mechanism. While the RUC Act provides RUC with a cost recovery purpose, cost is defined by the LTMA. If the



charging or investment parameters that define what counts as a cost were to be changed, the LTMA would be the correct place to do so.

*Question 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 GPS**)?*

- Because of the complexity involved in setting RUC rates, exemptions cannot be seen as genuinely transparent. Generally, the people who lose out and have to subsidise the costs of the exempt parties do not, as individuals, incur a noticeable loss, even though as a class this loss adds up to millions of dollars annually. Exemptions are a way of hiding costs and turning actually pricey change into a political free good.
- Since most policy motives for widespread exemptions have no relationship to issues of road wear, operations or improvement, exemptions are also usually not the most effective lever for the intended policy goal because the point of saving does not relate to the true determinants of cost. The exemptions for electric vehicles are good examples, as the main constraints on uptake relate to capital costs which would be more directly addressed through purchase subsidies and/or changes to depreciation rates.
- In consequence, requiring the GPS to actively consider the use of a second-rate instrument seems contrary to good or principled public policy making.

*Question 10. What are the advantages and disadvantages of enabling consideration of greenhouse gas (GHG) emissions when setting RUC rates?*

- There are no advantages to using RUC to manage an issue associated with fuel, especially as fuels are already specifically subject to an equivalent mechanism (FED). It is worth noting that the excise regime is perfectly capable of treating different fuels differently for rate-setting purposes, and already does so.

*Question 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?*

- Tax should be attached to the fuel. RUC rates would then be unaffected.

*Question 12. What advantages and disadvantages are involved in using NLTF revenue to reduce carbon emissions rather than foregoing RUC revenue?*

- Using NLTF revenue to reduce carbon has the benefits of transparency and honesty. It provides opportunities to test whether the expenditure should happen at all through transport budgets.
- Exemptions do not forego revenue. They either force the burden of tax to pile up more on non-exempt users, or they drive a degradation of services that gets recognised in increased vehicle maintenance costs. In the US these costs have, on average, been roughly twice what would have been needed in road maintenance taxes to avoid the road-caused damage, so there are economic efficiency reasons not to over-use exemptions in addition to the equity ones.



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

*Question 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 no advantages. The principle should be that, if the carbon composition of the fuel is the issue, then apply a carbon price to the fuel.

*Question 14. What are the advantages and disadvantages with the environmental effects of different fuel types being considered in calculating RUC rates for vehicle types?*

- There are no advantages. The principle should be that, if the carbon composition of the fuel is the issue, then apply a carbon price to the fuel.

*Question 15. How would fuel supply chains be verified?*

- They would not. This micro-management is a natural consequence of taxing at the wrong point.

*Question 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?*

- You do not. This micro-management is a natural consequence of taxing at the wrong point.

## Section 2.4 Any other feedback

*Question 17. How else would you change the setting of RUC to ensure it is adaptable to future challenges?*

- The rate-setting mechanism is already flexible and adaptable. Its strength is that it is focussed and is not intended to be all things to all situations.
- Note that RUC and eRUC mechanisms are different to RUC itself, and it may be the mechanisms may be able to also do other jobs.

## Section 3.1 Reviewing the requirements for eRUC

*Question 18. What are the advantages and disadvantages of mandating eRUC for heavy vehicles?*

- Mandating eRUC will treat all heavy vehicles the same. However, that will not be equitable. Not all heavy vehicles are in commercial use. Not all businesses with heavy vehicles have complex RUC needs and/or pose particular risk to the RUC Collector.
- Mandating is an unsophisticated, one-size-fits-all approach, that should be avoided in favour of:
  - a. establishing incentives to encourage uptake, including post-payment, easier access to permits etc
  - b. allowing 'lower specification' eRUC services for lower risk operations.

*Question 19. What vehicle types should or should not be required to use eRUC?*

- This is the wrong question.



- Better to ask, what are the minimum standards for information and evidence needed from participants in the land transport system when seeking to do various things. From this it can then be determined when eRUC is a useful part of the road user's compliance solution.

*Question 20. How would phasing-in of eRUC for the heavy vehicle fleet be best accomplished?*

- By providing choice and real regulatory benefits and incentives.

*Question 21. Are the existing requirements for eRUC devices reasonable if the technology was to be made compulsory?*

- No.
- The requirements mean eRUC systems are overly capable and expensive for a good proportion of road users. Operations that use eRUC are also unable to get a full return on investment from their systems because the regulator is not equipped to participate in a digital regulatory ecosystem.
- Lower risk compliance cases should be defined, and bespoke performance standards developed for these. The technology industry and the target road users should then have time to evolve and deploy lower cost fit-for-purpose solutions before the question of mandating is revisited.
- Waka Kotahi needs to upgrade its back-office systems and deploy a full suite of digital regulatory offers that leverage the technology already in or propagating across the higher risk fleets. Time needs to be allowed for this to happen and to reveal how much more demand this incentivises before mandating is revisited.

*Question 22. What alternative technological models should we be exploring for eRUC?*

- Very simple RUC scenarios – regular distance purchases for private light vehicles ('family cars'), no off-road claims, no refunds – should be able to be served by Waka Kotahi via an app-based direct relationship with individual payers. The warrant of fitness/vehicle inspection process provides the backstop for this that means New Zealand can avoid the heavier technology solutions being trialled and used in the United States.

*Question 23. How would making eRUC mandatory affect your business?*

- As an ESP EROAD would likely be exposed to greater regulatory demand for information (in exchange for the 'benefits' of an expanded eRUC market) and greater commercial risk due to demand from lower value or higher risk customer segments.
- At present, unlike other RUC agents – and overseas equivalent entities – ESPs are not compensated for the additional costs imposed on them by the regulator. Mandating would likely drive these costs up. The regime would need to be recalibrated to place servicing the regulator onto a financially sustainable foundation.

### **Section 3.2 Using eRUC devices to improve road safety**

*Question 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 standalone devices?*

- See responses to questions 21 and 23, above.



*Question 25. How can privacy concerns be managed if we are going to make greater use of eRUC data?*

- “eRUC data” is too general a term. Generalised provisions for appropriating data should be avoided. The RUC Act talks in terms of ‘RUC information’ and other specified records, and generally requires the requesting agency to have formed a view that justifies appropriating information and records. This precision is an important protection for businesses and individuals.
- As such, the current provisions for handling RUC information are adequate, especially when nested within the wider framework of the Privacy Act et al. ESPs have proven perfectly capable as intermediaries, both in protecting the privacy of customer data, and efficiently supplying information to support investigations and enforcement action in response to duly empowered requests by regulators.
- Waka Kotahi already holds, in its own right, a lot of RUC information, including RUC transaction histories by vehicle. Some data requests, denied by ESPs, appear to be attempts to develop screening information that the regulator should have been able to develop from its own sources, had the investment been made in building an appropriate analytical platform.

*Question 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?*

- eRUC devices are already used in a variety of ways to support different safety or productivity enhancing use cases. The current requirements for an eRUC device mean that it is a highly capable unit, well suited for wide range of regulatory and non-regulatory tasks.
- Costs scale according to the sum of the functionality and services a customer wants from their equipment. In assessing, and ultimately providing clearance for, the application for EROAD to acquire Coretex, the Commerce Commission noted that competition appeared to be healthy in the telematics market, with no reason to assume prices were or would be unfair.
- As such, the biggest cost hurdle in this space is the *opportunity cost* (i.e. unavoided compliance cost) of not being able to bring the full functionality of existing systems to bear on meeting regulatory requirements, and not receiving the access and efficiency benefits of being able to demonstrate real-time compliance.

*Question 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?*

- It is not clear what the actual problem is.
- The example provided, which notes the constraint imposed by section 65(3)(b) of the RUC Act, is presented out of context. That section basically says the records referred to may not be used for worktime and logbook enforcement, except to the extent that they are also required to be kept for that purpose by Part 4B of the Land Transport Act 1998 (LTA). This includes the relevant logbook entries, which include the identity of any RUC vehicle being used to which the time entry relates. If there is an inadequacy in the information and records to be created by the logbook, the LTA delegates authority to set, and amend, those requirements, to the land transport rules.





- As a general principle, it would be better to provide specific and bounded authority to access data in the appropriate Act or rule rather than create a blanket provision in the RUC Act, i.e. fix the issue at source rather than weaken the privacy protections of the RUC Act.

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

*Question 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?*

- A partial rate sends mixed signals and increases the chances of the actual tax paid getting out of step with paying a 'fair share'. It offers no benefits that cannot be delivered in a more straightforward way by some other means, e.g. paying a full rate of RUC and claiming a refund on the FED component.

*Question 29. According to what criteria should partial RUC rates be determined?*

- There should not be partial RUC rates.

*Question 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?*

- The logic of a partial RUC rate is that the remaining tax cost per distance travelled is met from any FED paid.
  - a. The user of a dual-fuel vehicle should be required to reconcile tax paid across all sources against distances travelled, and either receive a refund or tax invoice to adjust for any over- or under-payment.
  - b. No other approach is fair.
  - c. Noting that this may seem onerous or cumbersome, the better alternative is to charge a full rate of RUC and allow the road user to seek a full FED refund.

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

*Question 31. What are the advantages and disadvantages of enabling partial RUC rates to help transition exempted vehicles to full RUC rates?*

- These vehicles still impose road wear costs. The only benefits are private benefits of receiving subsidized road use. The disadvantage is that continuing a discount preserves inequalities in exchange for diluting an already weak incentive.

### Section 3.5 Exempting certain types of vehicles and vehicle combinations from RUC

*Question 32. What are the advantages and disadvantages of the heavy EV exemption being extended for more than five years?*

- Extending the exemption provides private benefit. However, operating subsidies are less effective incentives than lowering capital costs of uptake.
- Five years seems arbitrary. Rather than being time-based, any extended exemption period should be premised on achieving measurable policy goals. From this it would be easier to



determine whether RUC exemptions are necessary and/or sufficient to, and/or effective at advancing the policy intent.

*Question 33. How would extending the end date be effective in encouraging the uptake of heavy EVs?*

- See the response to question 32.

*Question 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?*

- See the response to question 32.

*Question 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 the response to question 32.
- The impact of operating in combination and at higher weights is reflected in the RUC charged against the powered unit. As such, exempting the powered unit in any such combination already delivers a discount across the whole load.
- Seeking to also exempt the trailer(s) adds a significant layer of complexity to the monitoring and assurance process as the same trailer can be pulled by multiple trucks over the course of a day, week or year.

*Question 36. What safeguards would we need to ensure that only trailers towed by exempted vehicles were able to be exempted?*

- eRUC devices as per current standards should have to be mandatory for all elements within the combination in order to access the discount for the trailer. In this way, with some development work, the trailer would then be able to be categorically paired to the towing vehicle, with the towing vehicle's status then 'authorising' the discounting of the road travel undertaken by the trailer while in its company.

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

*Question 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 road users should pay their fair share. Lighter vehicles still take up space and benefit from the capabilities and services met through common costs.
- In general, averaging and using licencing fees creates cross-subsidies and inequities. However, if the sums involved are small enough, then this simpler/low transaction cost methodology may be most fair and efficient.



*Question 38. Under what circumstances should ATVs and motorcycles primarily designed for use off road be required to pay RUC, or a higher licence fee?*

- All road users should pay their fair share. Infrequent road users still take up space and benefit from the capabilities and services met through common costs.
- In general, averaging and using licencing fees creates cross-subsidies and inequities. However, if the sums or risks involved are small enough, then this simpler/low transaction cost methodology may be most fair and efficient.

*Question 39. What principles should we use to determine a RUC rate, or higher annual licence fee, for motorcycles and mopeds?*

- The CAM is perfectly capable of calculating a fair rate for any vehicle type. As a matter of academic curiosity, for example, it has in the past been used to calculate the RUC owed on a bicycle.
- Using a single, common methodology across all vehicle types is essential to minimising distortions and inequities.

*Question 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?*

- See the response to question 37.

### **Section 3.7 Exempting low emission vehicles from RUC based on distance travelled**

*Question 41. What are the advantages and disadvantages of a distance-based rather than time-based exemption to RUC for EVs?*

- A distance-based exemption is superior in every way to a time-based one:
  - a. It provides certainty as to when the vehicle will need to start paying RUC
  - b. It educates the owner in monitoring distance travelled
  - c. It creates a baseline distance measurement that the regulator/RUC Collector can reference
  - d. The distance threshold can be set to mimic a time-based limit reflecting average distances travelled
  - e. Consistent with traffic demand management goals, in effect it puts a price back on the exempted road use.
- The beneficiaries may see the need to undertake compliance activity onerous. However, perpetual freedom from compliance hassles is not part of the stated policy informing the exemption so, while perhaps unfortunate, this is not strictly relevant.



### Section 3.8 Adjusting the overweight permit regime

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

- Section 12 is complicated because the underlying challenge – striking the right balance between consuming and protecting roads – is complicated.
  - a. General access mass-configuration limits exist to define the ‘normal’ point of balance, i.e. where standard usage will more likely ensure that the road degrades over a planned timeframe consistent with maintenance and renewal plans.
  - b. Some form of permitting for operations above general access limits is then necessary because there are legitimate cases for exceeding general access limits, and using permits enables risks to be managed and data (on additional wear and tear on roads and structures) to be gathered to better inform plans.
  - c. H licences reflect a kind of middle ground, where standardised overweight tasks can be dealt with in a less bespoke manner, more akin to general access while still capturing the risk monitoring data.
  - d. Accepting this, section 12 does a good job of providing a framework for managing the RUC dimension of overweight journeys
  - e. However, section 12 does not anticipate changes to, from, and between H licences being a normal or frequent behaviour, and this is reflected in how the operational approach has been designed or, more likely, allowed to remain.
- The more significant problem with overweight permitting is that the whole operational approach is premised on assumptions derived from paper-based and manual systems. The approach is not equipped to take advantage of, or let road users take advantage of, the vast quantities of relevant data now available digitally.

*Question 43. How would other potential changes in this discussion document, such as greater use of eRUC, assist in the overweight permitting process?*

- There needs to be a definitive, authoritative register of the carrying capacity of every road segment and structure, and of the conditions that must apply to any vehicle or combination proposing to exceed that carrying capacity. Operators should be able to input a proposed journey – origin, destination, vehicle configuration, and load – and receive a conclusive statement of the allowed route and associated conditions, including the applicable RUC.
- Vehicles and combinations with the appropriate technology should be able to receive instant approval subject to actually using that technology for real-time monitoring and reporting. An operator in good standing, however defined, should be able to pay the difference for those kilometers run overweight and in different configurations, after the journey, without concern for creating a record in advance of expected type changes in the motor vehicle register.
- Generally, current eRUC systems can be readily adapted to provide the monitoring and reporting required in the scenario alluded to above. Depending on the nature of the conditions that might apply, additional sensors may be needed (e.g. to monitor and manage mass limits); however, these integrations represent a relatively mature set of practices and technologies.