22 April, 2022

NZ Automobile Association submission on:

Review of the Road User Charges Scheme

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 windscreens.

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 be 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_2 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.

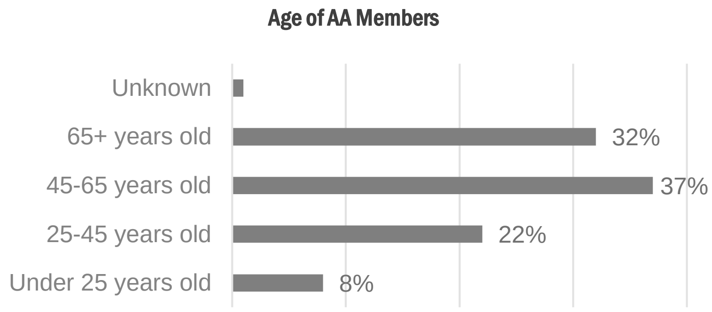
Our advocacy takes the form of meetings with local and central government politicians and officials, publication of research and policy papers, contributing to media on topical issues, and submissions to select committees and local government hearings.

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

Age range & Membership retention



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