



Road User Charges Bill 2010: Regulations Vehicle Types and Weight Bands

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Dear Jonathan

Road User Charges Bill 2010 Regulations: Vehicle Types and Weight Bands

Introduction

The New Zealand Automobile Association (NZAA) welcomes the opportunity to provide comment on the proposed definition of vehicle types and weight bands under the provisions of the Road User Charges Bill 2010.

The NZAA is an incorporated society with 1.3 million Members. It represents the interests of road users who collectively pay over \$2 billion in taxes each year through road user charges, fuel excise, registration fees, ACC levies, and GST. The NZAA has a strong interest in these proposals because nearly 13% of AA Members own diesel vehicles, the vast majority light vehicles, representing over a third of the light diesel vehicle fleet.

We make our comments on the proposals under the following headings:

- Vehicle type 1
- Special bus class within type 2
- Separate vehicle type for buses falling in type 5
- De-rating heavy vehicles (nominated weight)

Vehicle type 1

Under the proposed weight bands, light vehicles up to 4 tonnes will pay a RUC fee of \$45.87 per 1000km including GST. For the large percentage of light diesels which are passenger vehicles, this represents an increase of \$1.56 per 1000km or \$23.40 a year for the average motorist travelling 15,000km a year. While moderate, any increase is unwelcome and will be negatively received by owners who perceive the RUC system as discouraging the uptake of fuel-efficient, environmentally-friendly light diesel cars.

According to MoT fleet data (2009), light passenger diesels make up 47% of the light diesel fleet, or approximately 217,000 vehicles. That amounts to a net increase in RUC charges for all light passenger diesels of some \$5 million per annum.

The change in weight band for type 1 vehicles assumes that all type 1 vehicles have the potential to operate at a maximum laden weight (GLW) when in fact many are private passenger cars which operate at little more than tare weight (indeed, we note the tone of the document which frequently refers to 'operators' which ignores the substantial number of non-commercial private vehicle owners who also pay RUC). Therefore, these vehicles face a RUC fee increase whereas conversely, light commercial vehicles that do carry freight face a RUC fee decrease. As the proposals aim to be revenue neutral, this means private passenger cars will in effect be subsidising light commercials. Given that diesel commercials generally under-

contribute to the National Land Transport Fund (in comparison to petrol/private vehicles), this is an undesirable outcome.

Given the sheer volume of light passenger diesels, the NZAA submits there is a case to split the type 1 weight band to distinguish between passenger cars and commercials (utes and vans), with passenger cars paying a lower fee which reflects their operating (tare) weight and not GLW.

Nevertheless, this also has the potential to disadvantage non-commercial owners of vans and utilities that do not carry maximum freight loads. It may therefore be appropriate to consider an exemption for private light vehicles whose primary function is to carry passengers rather than freight, based on owner nomination. Should the vehicle be used for carrying freight this could then attract a penalty for a false declaration. The NZAA suggests that the change in definition of weight should then only apply to that small subset of light diesel vehicles that primarily carry freight loads, which would often be in the commercial vehicle class.

In any event, we are concerned that the proposed change should be adequately communicated to light vehicle owners; based on our previous correspondence with motorists, owners of small, fuel-efficient diesels weighing less than 2 tonnes will be annoyed to discover they are paying the same fee as a 4 tonne light truck.

Special bus class within type 2

The dismissal of the suggestion to create special bus class within type 2 ignores the considerable number of non-commercial buses that have been converted to motorhomes. These vehicles operate at weights substantially less than their GLW and because the Motor Vehicle Register is unable to identify such vehicles, we submit that the average RUC licence value for such bus (or light truck) -based motorhomes will be much less than the average RUC licence value of type 2 vehicles in the 7-10 tonne or 11-15 tonne bands.

It is acknowledged that there will be 'winners and losers' in the proposed weight bands, however we consider private owners of non-commercial type 2 vehicles will be unreasonably disadvantaged and there is a case for creating a separate vehicle class for buses (including motorhomes) within type 2.

We understand from the Motor Caravan Association that they have some 23,000 motorhomes within their membership, although some of these will be of the smaller campervan-type (Class 1), and some petrol-powered. Within the NZAA itself, there are some 3,500 Members who own motorhomes. These are considerable numbers, far greater than in some of the other RUC classes, and it is difficult to imagine any of these 23,000 owners will be 'winners' under these proposals, or that the increases in RUC fees they face can be reasonably justified. While the value of RUC transactions in this sub-sector may be modest in comparison to all type 2 vehicles, the increase in RUC fees will be considerable for this sub-sector. Many of these owners are also retired and on fixed incomes, so the proposed increases will be additionally burdensome and may compromise their mobility. Unlike the oft-quoted commercial operators, these vehicle owners will be unable to recover these increased RUC costs.

Separate vehicle type for buses falling in type 5

For the reasons outlined above, the NZAA would support creating a new bus class for buses currently falling in Class 5 that would be disadvantaged if Classes 5 and 6 are merged as proposed, and this new class would also accommodate 3-axle bus-based motorhomes.

De-rating heavy vehicles (nominated weight)

Paragraph 31 of the discussion document discusses some of the modelling scenarios for charging by RUC weight in 1-tonne increments (as now) and notes that owners of older vehicles may be disadvantaged compared to owners of newer vehicles that have been rated at

the lowest weight possible. We submit that this could be addressed if the older vehicles could be 'de-rated' according to their function.

We raise this suggestion as an option for certain classes of vehicles that never operate at their GLW and thus who will be more 'disadvantaged' under the new weight bands. In particular, this could cover fire engines, military vehicles, heritage heavy vehicles and some cranes (as referred to in paragraph 46).

It may be that section 34 of the Bill could provide relief for such disadvantaged vehicles (whereby the RUC collector may waive RUC fees if they are excessive) but this is discretionary and it is unclear what eligibility criteria a vehicle owner will need to meet. Instead the NZAA proposes that the MoT investigate developing a clear, robust process to allow operators, and especially non-commercial owners of heavy vehicles, to de-rate their vehicles to a nominated weight closer to operating weight. Such a system should include a severe penalty for any vehicles found operating at weights above the RUC licence, including loss of operator's licence for commercial fleets.

Recommendations

- Introduce a differential, lower RUC levy for passenger cars to accommodate those vehicles 2 tonnes and under (as per the current gross weights) which do not operate laden. The proposed RUC fee for light vehicles up to 4 tonnes will apply to light commercials.
- Consider introducing a 'nominated-weight' exemption for privately-owned light commercial vehicles which are primarily used for carrying passengers.
- Introduce a special bus class within type 2 to accommodate buses and motorhomes that operate at much lower laden weights than the GVMs in the type 2 class.
- Develop a robust and transparent exemption regime to allow commercial and non-commercial owners alike to apply to de-rate their vehicles to a lower operating weight, for those owners who face considerable RUC fee increases under the new weight bands.

Yours sincerely



Mike Noon
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