



la Ara Aotearoa Transporting New Zealand

submission to

Te Manatū Waka (Ministry of Transport)

on

**Driving Change: Reviewing the Road User Charges
System.**

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

1. Representation

- 1.1 Ia Ara Aotearoa Transporting New Zealand (Transporting New Zealand) is made up of several regional trucking associations for which Transporting New Zealand provides unified national representation. It is the peak body and authoritative voice of New Zealand's road freight transport industry which employs 32,868 people (2.0% of the workforce), and has a gross annual turnover in the order of \$6 billion.
- 1.2 Transporting New Zealand members are predominately involved in the operation of commercial freight transport services, both urban and inter-regional. These services are entirely based on the deployment of trucks both as single units for urban delivery and as multi-unit combinations that may have one or more trailers supporting rural or inter-regional transport
- 1.3 According to Ministry of Transport (MOT) research (National Freight Demands Study 2018) road freight transport accounts for 93% of the total tonnage of freight moved in New Zealand

2. Introduction

- 2.1 Transporting New Zealand provides sector leadership and believes we all need to operate in an environment where the following must be managed and co-exist:
 - The safety and wellbeing of our drivers and other road users, our drivers are our most valuable asset
 - The impacts of transport on our environment
 - The transport of goods by road is economically feasible and viable and it contributes the best way it can to benefit our economy.
- 2.2 Transporting New Zealand is well regarded as having a good understanding of the road user charges (RUC) regime and the related policy intent. We have also been closely involved in changes to RUC since its inception.
- 2.3 In essence, the RUC model is a vehicle mass and distance-based calculation. It works well because there is a relatively good correlation between axle mass and pavement and infrastructure consumption. As a consequence, using engineering models to calculate heavy vehicle RUC liability for the different types of heavy vehicles is a sensible and rational approach, whereas incorporating attributes that do not have a correlation with mass and distance is irrational.
- 2.4 Transporting New Zealand welcomes the opportunity to comment on the MOT Discussion Document: Driving Change, Reviewing the Road User Charges System (the discussion document). Our comments will be confined to specific aspects or topic areas of the discussion largely, particularly the policy options that

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

3. Our position principles

- 3.1 Generally, Transporting New Zealand believes in a user pays approach. Those vehicles that create more pavement wear should pay more for maintaining the road.
- 3.2 Transporting New Zealand strongly supports the principle that funds paid by road users through RUC, fuel excise, and vehicle registration fees should be used predominantly to pay for road construction and maintenance and Police Commercial Vehicle Safety Team (CVST) enforcement.
- 3.3 The National Land Transport Fund (NLTF) should be ring-fenced for roading projects and paying low-level subsidies of public transport operating costs. Decisions on road funding should be decided by rigorous cost-benefit analysis using well-accepted methodologies. This is the only way to maintain the integrity of the NLTF and keep 'mode neutrality' between road, rail and shipping.
- 3.4 Heavy vehicle RUC liability is determined through the cost allocation model (CAM). This is underpinned by engineering models to ascertain the pavement and infrastructure consumption caused by different types of heavy vehicles. Notwithstanding, the road freight industry in some cases and in respect of certain vehicle types, pays more in RUC than its impact on the roads. Transporting New Zealand is concerned that over the past several years, Government policy objectives have watered down the purity of determining the appropriate level of cost attribution of the different vehicle types.
- 3.5 Transporting New Zealand acknowledges there are some downsides associated with the movement of freight, for example, congestion, pollution, CO₂ emissions, and road safety trauma. We agree with the need to manage the costs of transport related externalities. i.e. the costs should be internalised.
- 3.6 Transporting New Zealand urges Government not to let its management of externalities trump our aspiration for a thriving economy and the social and economic benefits that can bring, and we also urge Government to manage those externality costs in a fair and transparent manner.

4. Strategic level response to the discussion document

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

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

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

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

5. Our approach to responding to the questions

- 5.1 Transporting New Zealand has generally followed the order of topics set out in the discussion document including responding to the questions applicable to our organisation's policy position. Hopefully this approach will ensure our comments present a cohesive response to the important issues raised in the discussion document. We note some of the questions are quite general and arguably repetitive, so in some cases we have answered multiple questions with our responses.
- 5.2 The question references we use refer to numbered questions in the discussion document. Many question explanations are too expansive to import into our submission therefore, we have taken the approach of referring *Response to Question 1,2,3* etc with an abbreviated summary of the question to cover off the response to questions we have aggregated as collectives.
- 5.3 In other cases, we have used the question text. We note the discussion document includes extensive commentary on many issues and this information is acknowledged as an important component of the policy development. However, we have elected not to comment on all that information and have instead chosen to comment only on the key principles, or questions, we believe are relevant to our members and sector.

6. Responses to the questions

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

- Transporting New Zealand's position is that RUC should not be weighted with any additional costs to the direct costs of building, operating and maintaining the land transport system. We see no advantages in widening the scope of the current RUC regime. The disadvantages of attempting to include factors that are not mass distance based is the system loses its integrity and resource allocation becomes nonsensical.
- The alternative approach is to either, use systems already set up to manage those externalities such as ETS for GHG, and ACC levies to collect revenue for those respective externalities, or to develop other systems that keep costs and respective recovery relatively transparent.

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

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

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

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

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

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

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

- Transporting New Zealand does not support including fuel type, origin and blend in RUC rates. The discussion document (page 25) refers to a strong correlation between transport emissions and vehicle kilometres travelled. However, we contend this is an over-simplification and fails to appreciate that factors such as engine technology, duty cycle, and operating environment have significant impacts on fuel consumption and consequently emissions.
- Furthermore, the true understanding of the associated costs of respective energy sources is highly problematic. Whether that be land-use for some biofuel feedstocks taking priority over food production, or slave labour in the Congo for mining minerals needed for batteries, we are only starting to understand the real associated costs with externalities of the respective new, and allegedly 'green', energy sources.
- Managing the source of fuels and their availability and specifications is the role and domain of another government department, namely Ministry of Business, Innovation and Employment (MBIE). We believe it should be left to the wholesalers' ethical position to determine and verify resource supply, or the ethical and social impacts of that resource with MBIE oversight given the latter already sets the fuel specifications and has the official fuel specification monitoring role.

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

- Transporting New Zealand does not support mandating eRUC.
- According to Waka Kotahi about one-quarter of the heavy vehicle fleet provide about half the heavy vehicle RUC revenue and that relationship has been relatively stable for a few years. Therefore, it appears the market has probably reached saturation point for those attracted to an eRUC system.
- Most companies that have elected to go down the eRUC route have done so because of the administrative advantages it offers and with vendors offering additional features such as elog books and driver performance monitoring and reporting (features that are probably not of interest to non-commercial truck operators), so the actual market coverage will possibly be significantly less than anticipated.
- There are a large number of RUC vehicles that are used only intermittently or infrequently and for those owners the cost of the present eRUC models probably cannot be justified. There are also those that still view the government trend to online services with suspicion and eRUC feeds into that perspective as these owners will most likely view the GPS and in-service monitoring and surveillance as invasive.

- Another factor is that the large upfront costs for a sizable fleet are also a discouraging factor, especially where the benefits are not obvious to those fleet managers.
- Transporting New Zealand believes it is unnecessary and unwise to impose a system on three-quarters of the heavy vehicle fleet that to date has seen no need or substantive benefit for that system, and if Government does so there will highly likely be considerable user resistance.

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

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

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

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

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

- Transporting New Zealand is concerned that Government is jumping to a conclusion that eRUC would benefit safety however, to the best of Transporting New Zealand's knowledge, that relationship has not been validated. eRUC primarily relates to the mass and distance characteristics of a vehicle and, while in some cases there may be a good correlation between what a vehicle does and the driver's duties, for example, when the vast majority of the driver's time is spent driving the vehicle, in many cases that correlation will not exist. In many cases, the driver will undertake tasks other than driving which will not be captured under a vehicle tracking technology.
- Furthermore, fatigue is a complex issue and a major contributing factor in managing the risk of fatigue is the activity undertaken by a driver while not at work. This shows the severe limitations of using vehicle tracking to

manage fatigue.

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

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

- This question of privacy is an important one however, we suspect there is no simple answer. Once data is used for the purposes of enforcement and compliance assessment and then as evidence for conviction, its value, at least for the operator, takes on a whole new meaning. When the operator is gathering data for operational management it is somewhat benign, but when used by the authorities it becomes considerably less desirable to collect or meaningfully manage and the worst-case scenario may well result in the data being corrupted, or destroyed, or result in other perverse behaviours. In the end, most information management systems require appropriate security and clearly defined objectives around their application to ensuring compliance. Typically, this suggests the use of various protocols so that the authorities and enforcement agencies do not act beyond the scope of the legislation, or resort to using tactics such as extrapolation to suggest particular behavioural pattern that has yet to occur.
- Notwithstanding, Transporting New Zealand can see a world where an ideally enhanced eRUC model could play an important role in a cooperative compliance system where the parties share a goal for improved compliance through mutually recognised data relationships between the two parties. This relationship could be supplemented by a benefits-based system that would provide the operator with various concessions and operational advantages which, if behaviour falls below the accepted thresholds previously agreed, can be suspended or removed depending on the level of behavioural deterioration and over predefined time frames. The emphasis with all cooperative relationship schemes is to ensure corrective action to remedy poor behaviours before they become embedded and irreversible.
- The concept of more surveillance attributes and enforcement brings into focus the role of eRUC providers and access to their records for verification and evidential purposes. There appear to be some weighty policy and legal issues to be resolved before these areas could be substantively progressed.

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

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

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

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

- As 6.11 refers, Transporting New Zealand's view is that generally, vehicles regardless of motive power type should pay RUC for the respective damage they create on the road network.
- While exempting heavy vehicle EVs from their respective RUC obligations beyond the present five-year window may have some appeal, it is questionable whether from a national road funding perspective that is the best thing to do. We have our doubts the heavy vehicle fleet size will grow as suggested (especially where immigration and therefore, consumer demand is limited) and similarly, have doubts the heavy EV fleet component will change dramatically unless there is major breakthrough in battery technology and battery recharging capability with accompanying access to superfast charging points. What is equally interesting is the concept that EVs should be given some sort of special consideration when it is becoming universally acknowledged that the environmental benefits are questionable given the battery constituent resourcing and associated energy demands, and the ongoing exploitation of vulnerable societies to source the primary battery constituents. In summary, in terms of a complete cradle-to-grave basis, heavy EVs are far from being proven a clean or ethical choice for consumers and they only benefit where the electricity is largely produced by renewables.
- The future is clouded with so many uncertainties in terms of propulsion systems, engine and power train manufacturers are being careful not to commit to a single propulsion system design and are exploring improvements by developing fuel agnostic engines. We believe Government's focus on incentivising heavy electric vehicles presents considerable risk and more evidence is required to support continued incentivisation. If that evidence is available, then financial incentives should be delivered by way of the ETS.

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

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

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

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

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

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

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

6.16 Questions 42 and 43: Adjusting the overweight permit regime

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

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

- These questions do not relate to vehicles of predominant interest to our sector however, most transport operators will also have light vehicles.
- Transporting New Zealand suggests that rather than the issue being about displaying, or not displaying, a licence, we believe the focus should be outcome based, i.e. does the operator know whether the vehicle has the appropriate RUC purchased at any given time and can enforcement officers also ascertain that information?

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

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

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

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

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

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

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

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

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

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

6.23 Questions 58 to 61 inclusive. Amending the RUC penalties

- Firstly, the explanation and discussion in this section is well thought out and the quality of the information is appreciated.
- Transporting New Zealand's response is guided largely on how we view the penalty system impacting the freight sector and not how it impacts the private vehicle owner. The quoted section from the Ministry of Justice guidance (page 51) has no reference date and although we agree with the sentiment, particularly that regarding the economic benefit gains by offenders, we not sure increasing the base fine thresholds is the optimal way forward. The best option is to ensure rigour around the assessments and that recoveries of unpaid RUCs, which can be substantial in some cases, are actioned correctly and the "lost funds" recovered accordingly. We are not entirely opposed to some consideration around increasing penalties, but the objectives must be clear and unambiguous with a specific goal in mind.
- Transporting New Zealand does not believe that tinkering with fines and penalties and their respective ratios changes the fact that the offences are largely codified as tax evasion offences. We request MOT share the work it has done (page 52 refers) that supports its proposed change to 1:10.
- As alluded to above, Transporting New Zealand is more disposed towards being opposed to any wholesale changes and when you look at the penalty table (Page 52), the body corporate fees upon court proceedings are significant. We suspect it comes down to a resource issue when the authorities elect to commit a case to trial as opposed to holding to the infringement fee approach which is obviously less administratively demanding. The discussion seems to want to almost meld the two penalty frameworks (infringement fees and court proceedings) into some approach that more closely matches the preferred consistency model of penalties at the ratio of 1:10. More quality information is required to enable meaningful consultation in this area.

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

- Transporting New Zealand does not have a specific view on what basis the penalty for non-payment should be calculated.
- We believe considerable care is required in dealing with non-payment or recovering unpaid RUC. An overly heavy-handed approach risks driving an increased number of cases to court and the likelihood of receiving the outstanding funds is diminished especially if the vehicle owner makes use of the community law services. In our view Section 28 of the RUC Act sets out a reasonable balance. The approach that is presently used must have been carefully thought-out however, we recognise a significant amount of the costs are incurred in the court-based recovery and this money then doesn't get to the NLTF. In the case of freight companies, the recovery of unpaid RUC can be significant as they are likely to accrue the high debt loading compared to private vehicle owner.
- Transporting New Zealand has always understood the 2012 RUC Act recovery system was based loosely on the IRD's Tax Administration provision legislation and largely held to the same principles. The desire to change the recovery provisions suggests Waka Kotahi wants to now go in a separate direction. We would have thought the IRD provisions still provide a valid model since non-payment of RUC is a form of tax evasion, so we would have to question why move away from a model that's largely accepted by business? Having said that, it may be possible to introduce a model that recognises the quantum of debt and applies varying levels of criteria including payment of recoveries and penalty options instead of the one-size-fits-all approach.
- However, every variation on theme will bring its own costs and it is not Transporting New Zealand's role to design a RUC recovery regime by way of a submission. Any changes will require careful evaluation of the merits, or otherwise, before committing to an amended model.

6.25 Question 65: Other improvements to the RUC system

- Most of the questions Transporting New Zealand receives about the RUC system are largely due to misunderstanding of the basic concepts such as, the load factor related to distance licences compared to the additional licence fully laden assumptions. This then spills into the assessment process, with underpayers contesting the fact that at times, they operated the offending vehicles unladen, or that sometimes the laden weights they operated the vehicle at were below the RUC licence band weight threshold, and that this should be taken into account within the scope of the assessment.
- It is important these misunderstandings are cleared up. Transporting New Zealand believes better promotion and education by MOT and Waka Kotahi about the CAM and RUC would be helpful.

6.26 Question 66: Clarifying partly in the definition of EV

- The risks of introducing an indeterminate definition for “partly” is well explained in this section of the document. How the term “partly” is to be framed is difficult, especially within the context of propulsion systems, and as the discussion points out, some mechanism of verifying a baseline EV distance would help establish whether a vehicle was entitled to a form or measure of RUC discount or exemption. The kWh option would be simpler to apply, but the reality is neither of the options are conclusive because the vehicle operator may still choose to operate the vehicle on the propulsion system other than the electric power more often than the policy drafters expect or plan. The difficulty is getting a level of unequivocal confidence that “partly” within the context of vehicle propulsion systems means an established level of electric travel.
- From the discussion, whatever the outcome, it appears it is going to rest on a level of trust which in today’s world is very tenuous basis for anything, particularly the payment of taxes.
- Transporting New Zealand suggests this issue needs to be explored by experts in this subject matter area, along with appropriate legal input.

6.27 **Question 67: Reclassifying vehicles**

- Transporting New Zealand agrees and supports restructuring the 8 axle combination as covered in paragraph 4.2.1 (page 59) to better encompass the 8 axle 50 tonne combination and accepts the possibility of recalibration of rates applicable to other combinations to maintain relativity.
- However, the discussion document implies the recalibration will increase rates for some H types. We question that inference in light of past regulatory impact statements explicitly stating many H combinations are being over charged relative to their respective pavement and resource consumption, somewhere in the range of 40% higher than necessary. This phenomenon is a function of applying a fixed, or uniform, RUC increase across all RUC vehicle types (an equivalency with the increase in fuel excise) instead of using a discretely calibrated approach, as suggested by the cost allocation model.
- Transporting New Zealand suggests the recalibration needs to adjust the rates so this over-recovery no longer exists, or alternatively is significantly mitigated.

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

- Transporting New Zealand does not condone tampering however, we are also mindful of the ongoing challenges Waka Kotahi has faced in providing a consistent standard of vehicle inspection and we are concerned that tampering could increase risks in the quality and integrity of vehicle safety inspections.
- Simple inspection such as mechanical seals on taxi meters is relatively straight forward however, any tampering of a more inconspicuous type will be problematic to detect and may take the focus away from the vehicle’s

safety attributes.

- We would also be concerned that any such change would be used as a reason for introducing a new revenue stream and increased costs for the enhanced inspection.
- Transporting New Zealand suggests this policy development needs a full risk and cost analysis to see if it is viable and feasible.

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

- As Transporting New Zealand understands it, light vehicle speedometers must already meet established standards of accuracy and typically they over read by about four percent to ensure car manufacturers are not sued by owners when speed limits are exceeded. This inaccuracy is mirrored in the odometer readings, as the both devices are driven off the same input pulse source information, although they can usually be calibrated separately.
- We see little point in establishing definitions for accuracy in New Zealand as the variables are so wide ranging the band width of any accuracy measurement would have to be quite wide. Where an odometer has been identified as inaccurate for the purposes of RUC distance measurement, and the owner fails to correct the problem, the legislator needs to develop an effective sanction regime to ensure the device is correctly calibrated for the purposes of RUC compliance.

6.30 Questions 74 to 76 inclusive: Retention of records

- Transporting New Zealand does not support the proposal that operators retain weight-based records.
- Firstly, many operations are not based on the weight of product but the volume. The proposed amendment to section 65 of the RUC Act although minor and probably well intentioned, merely increases the inequity between those that use weight-based records and those that do not, and we question how valid the records are that are retained in achieving either convictions or validating assessments for unpaid RUCs.
- We do not believe there is any way Waka Kotahi could have influence over the feasibility of ensuring more companies retain or create weight-based records. History has shown this concept to be problematic, and the requirements regarding Bill of Ladings were dissolved in the late 1980s. This was because there were so many situations when weight-based records were redundant, or unnecessary, for normal transport operations.
- There are calculations and values for approximating weights of various products normally transported by volume, and although this approach is far from ideal, it gives some measure of weight necessary for ascertaining gross weights of vehicles within the boundaries of typical errors. However, the question still arises as to whether these calculations are sufficient to meet the evidential test criteria for conviction or assessments. They may be if Waka Kotahi had a verified and reputable source of information. Unfortunately the rural sector, particularly livestock and general farm

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

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

6.31 Questions 77 and 78: Access to third party records

- The discussion document (page 66) refers, “We have been advised heavy vehicle leaving ports can potentially be overloaded for their applicable RUC licence”. On that basis it appears MOT proposes to amend the Act.
- Transporting New Zealand is disappointed and surprised that Government would seriously consider changing an Act based on such weak evidence. Surely responsible policy making would require much more compelling evidence and MOT has a duty to explore the real issues before embarking on a campaign to draw in third parties and seize their documentation for evidential purposes.
- In the absence of more substantive information Transporting New Zealand does not believe this issue merits further comment at this time.

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

- This proposal is intended to aid compliance and arguably protect the individual customers from amassing a debt by way of manipulating the ESP eRUC purchasing channels.
- While it does not impact us directly and we understand ESPs do not agree with this proposal, Transporting New Zealand supports the suggested changes to ensure adequate reporting and promote compliance.

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

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

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

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

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

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

6.36 Questions 86 to 88 inclusive: Mobile cranes and RUC

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

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

- We have no other suggested amendments.

7.0 Concluding comments

- Disappointingly this appears to be another attempt by Government to find another lever to support its climate change agenda, a position Transporting New Zealand strongly opposes.
- The clarity of the RUC system as a resource recovery mechanism has been its strength, and although not perfect, it offers a level of transparency and rigour that has many benefits. Any dilution or reduction in its integrity will be of detrimental to good policy making.
- Transporting New Zealand is not ignorant to the possibility that Government will forge ahead regardless and add additional costs to RUC to purportedly account for externalities, and consequently to road freight transport. We are concerned that the RUC rate changes put forward are an action by stealth to once again make road freight appear unsuitable as a transport service and to elevate rail as an alternative, an articulated key government objective.
- The review's attempt to offer concessional RUC rates to mixed power source vehicles is an unnecessary complication over the simplicity of the RUC system and shouldn't even be considered further. Trying to create a purist approach to road use cost recovery will only introduce additional costs for everyone. The old adage in the road pricing space that efficiency and equity are poor bed fellows still holds true. You can have efficiency (simplicity) or equity. In attempting to achieve equity, efficiency is swept away and despite the growing capability of vehicle technology to contribute to equity and improve efficiency, the great divide still exists.