

27 April 2022

RUC Review
Ministry of Transport
PO Box 3175
Wellington, 6140
[By email: RUCConsultation22@transport.govt.nz](mailto:RUCConsultation22@transport.govt.nz)

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



Aaron Hawkins
MAYOR