

ROAD USER CHARGES BILL

SUBMISSION TO THE TRANSPORT AND INDUSTRIAL RELATIONS COMMITTEE

24 MARCH 2011

BACKGROUND

The Institution of Professional Engineers New Zealand (IPENZ) is the lead national professional body representing the engineering profession in New Zealand. It has approximately 12,000 Members, including a cross-section from engineering students, to practising engineers and senior Members in positions of responsibility in business. IPENZ is non-aligned and seeks to contribute to the community in matters of national interest, giving a learned view on important issues, independent of any commercial interest.

CONSULTATION

To assist with the preparation of this submission, IPENZ sought input from the IPENZ Membership via the IPENZ web site. In addition, interested Members were sent the draft submission directly for comment.

SUBMISSION

IPENZ submitted on the Review of Road User Charges in November 2008. This submission draws on the views expressed in that document and on Members' comments.

VEHICLE MASS

There is general support for the Bill, including provisions in clause 5 to define the Road User Charges (RUC) weight as the lesser of the manufacturer's gross mass or the maximum allowable mass for the vehicle – rather than nominating the gross laden weight for a particular licence. This will considerably reduce administration costs and evasion.

THE FOURTH POWER LAW

IPENZ in its submission in November 2008 pointed out that there are doubts over the validity of the fourth power relationship between axle load and pavement damage to estimate pavement wear caused by heavy vehicles and the corresponding costs. Given this debate, IPENZ recommended that further work be done in this area to determine a relationship appropriate for New Zealand conditions. The response in the Review Group Report was they could “not find sufficiently robust evidence to justify changes in the road damage law exponent”.

We believe this is an area of research that should be investigated because of the need to better understand the relationship and more fairly allocate of costs in the freight industry. This is particularly relevant now with the recent introduction of the Land Transport Rule: Vehicle Dimensions and Mass 2010 Amendment which “allows for the granting of permits for ‘high-productivity motor vehicles’ to operate on approved routes at greater dimension and mass limits than those that would otherwise be allowed under the Rule”.

IPENZ Recommendation: Government conduct research into the appropriateness of the fourth power law for New Zealand conditions.

FUTURE ELECTRONIC DEVELOPMENTS

IPENZ supports the introduction in the Bill of a regulatory framework for an electronic RUC system as outlined in Subpart 5. We note the 2009 Review Group Report recommended the NZ Transport Agency (NZTA) develop and implement, in association with selected user groups, a proof of concept trial, to test the feasibility of an electronic RUC systems' architecture. IPENZ supports this as it will be essential to inform decision-making in New Zealand as to whether and how to proceed with an electronic RUC system. We hope the NZTA is undertaking this proof of concept trial.

IPENZ Recommendation: Ensure the NZTA is undertaking a proof of concept trial on an electronic RUC systems architecture.

LIGHT VEHICLES

As IPENZ pointed out in its 2008 submission, the current charging regime is a disincentive for the use of efficient light diesel vehicles.

The problem between light petrol and light diesel vehicles arises from the use of two completely different and incompatible charging regimes, resulting in a major anomaly. For petrol vehicles, the fuel excise duty is a tax designed to raise the required funds and is not related to costs imposed on the system.

The RUC for diesel vehicles relates to actual costs, wear, and road space. Under this arrangement all light vehicles (under 3,500 kg) are treated the same – some are cars, but most of these are sports utility vehicles, light trucks and commercial utility vehicles.

A particular problem arises with small diesel cars, which use half the fuel (or less) of the majority of the light vehicle fleet but pay the same RUC. Also, being smaller, and hence lighter, these small diesel cars cause far less wear and tear to pavements. When these cars are looked at separately, as a subset of the light vehicles category, the anomaly is obvious.

For a small petrol car consuming 5 litres per 100 kilometres, and fuel excise duty at 54 cents per litre, the fuel cost for 1000 kilometres is \$27.00. For a small diesel car, based on RUC of \$44.3 per 1000 kilometres the cost is \$44.30. Thus, the diesel car pays \$17.30 or 64 per cent extra.

New Zealand car buyers currently shun small diesels, as they are so costly to run. This is in contrast to Europe where the majority of cars are now use diesel. IPENZ believes the Government policy should be encouraging small diesel vehicles due to their efficiency, not inhibiting their use. IPENZ suggests a graduated RUC system based on manufacturers' published kerb weights would resolve the problem. An analysis by an IPENZ Member shows weight is a good proxy for fuel consumption, and would result in a similar system to the fuel excise duty which is based on fuel use. This would level the playing field and make small diesel cars more attractive to car buyers.

IPENZ suggests a graduated RUC system could use the following charges:

Manufacturer kerb weights [kilogrammes]	Proposed RUC [per 1000 kilometres]	Existing RUC [per 1000 kilometres]
3000 - 2000	\$44	\$46.51
1500 - 2000	\$36	\$44.30
1000 - 1500	\$25	\$44.30
Less than 1000	\$15	\$44.30

The reduced income could be offset by an overall adjustment to the RUC charges for other light vehicles and heavy vehicles.

IPENZ Recommendation: A graduated RUC system should be introduced with reduced charges for diesel cars to incentivise their wider use.

PROCESS FOR SETTING RUC

In making the above comments IPENZ notes the Bill does not make any references to the charges themselves. Clause 79 (1) provides for Regulations to specify rates of road user charges, and clause 79 (4) provides for these road user charges to be confirmed by Parliament. These provisions imply that there will not be an opportunity to comment on the charges.

Accordingly IPENZ has commented on RUCs at this point, because there may not be a further opportunity.

CONCLUSION

IPENZ appreciates the opportunity to make this submission and is able to provide further clarification if required.

We do not wish to appear in person before the Select Committee to speak to this submission.

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Director-Policy

Institution of Professional Engineers New Zealand