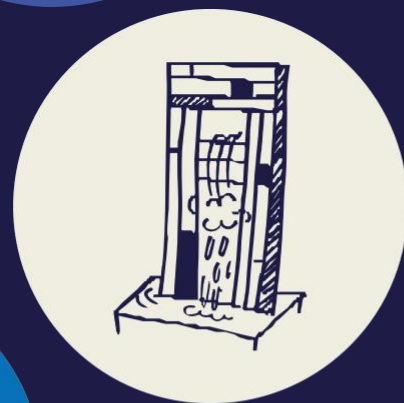


HAMILTON CITY COUNCIL – FINAL SUBMISSION

Driving Climate Change: Reviewing the Road User Charges System – Considering Climate Change, Simplifying Compliance and Making Better Use of Technology as our Transport System Changes (January 2022 Consultation Document)

Ministry of Transport



4 May 2022



**Hamilton
City Council**
Te kaunihera o Kirikiriroa

Improving the Wellbeing of Hamiltonians

Hamilton City Council is focused on improving the wellbeing of Hamiltonians through delivering to our five priorities of shaping:

- A city that's easy to live in
- A city where our people thrive
- A central city where our people love to be
- A fun city with lots to do
- A green city

The topic of this submission is aligned to our 'A city where our people thrive' priority.

As a city we want to have safe routes for people to move around our city, alongside efficient transport connections to connect Hamilton to other places.

Council Approval and Reference

This submission was approved (under delegated authority) by the Chair and Deputy Chair of Hamilton City Council's Infrastructure Operations Committee (as resolved at the Council's 12 April 2022 Infrastructure Operations Committee meeting).

Hamilton City Council Reference D-4109860 - submission # 685.

Overarching Themes and Messages

1. Overall, Hamilton City Council supports the direction and content of the Ministry of Transport's January 2022 Consultation Document **Driving Climate Change: Reviewing the Road User Charges System – Considering Climate Change, Simplifying Compliance and Making Better Use of Technology as our Transport System Changes**.
2. We strongly support the need to recover externalities such as the impacts of emissions on the environment, health and safety and climate. The long-term and wider external costs of the road system, including human health and climate change, should be considered for all road users.
3. All road users should pay a minimum cost towards using roads. This supports mode shift by increasing the cost of single car ownership and decreasing the cost of using public transport by improving public transport infrastructure and services.
4. We support that high carbon vehicles (i.e., petrol and diesel) should require an emissions charge and funds recovered go towards emissions reductions, improved public transport infrastructure and services, EV infrastructure and health related issues.
5. The RUC may not be the best mechanism for an emissions charge, given that petrol vehicles already pay through the fuel excise duty and therefore we strongly support that a tax mechanism is explored as an option for an emission charge.
6. Low emission vehicles should not be exempt from road user charges - but if an emission related fee is charged through the RUC, they should not be charged this.
7. Exemptions or discounts for low emissions vehicles should not be permanent, as all road users should contribute to a basic fee. Discounts/exemptions should continue to be placed as incentives to encourage use to the point where either uptake reaches climate related targets, or it is understood that as an incentive this is ineffective.
8. Revenue raised from a basic charge should be used for improving road safety, increasing public transport infrastructure, road maintenance, and improve the use of low carbon, recycled materials used on roads.
9. Hamilton City Council supports that there should be a range of incentives and mechanisms to increase electric vehicle use, including changing the purpose of the RUC Act to support technologies or fuels that are currently more expensive than existing fuels but assist with reducing greenhouse gas emissions.
10. However, there should be a much stronger shift than current towards increasing alternative modes of transport (and decrease car use) for travel to and within all New Zealand's cities. This would support a more equitable transition that will create more livable cities as population grows and promote healthy and low carbon lifestyles.
11. The current move by the government to halve the cost of public transport is a good step towards encouraging low carbon behaviours and should be made permanent. However, reducing the cost of public transport and increasing RUCs alone will not change behaviours. Public transport should be the fastest and most convenient mode of travel within, to and from cities. Significant investment is urgently needed, and the RUC should contribute to that as a means to counteract the significant contribution road travel has to our greenhouse emissions.
12. We strongly support the proposal from Waka Kotahi scoping the option to develop an online tool to assist road users with their compliance in terms of both vehicle licensing and RUC.

Response to Various Consultation Document Questions

13. The following provides Hamilton City Council's response to a number of the questions outlined in the Ministry of Transport's consultation document.
14. ***Question 1: What are the advantages and disadvantages of using RUC to recover more than the direct costs of building, operating, and maintaining the land transport system?***
15. **RESPONSE:**
16. We support the use of RUCs to recover more than the direct costs of building, operating, and maintaining the land transport system.
17. The RUC already ensures that operators of vehicles that cause damage to the road network pay the appropriate amount. This model is a good starting point and can be extended to ensure that those who cause the most damage in terms of impacts on health, climate, pollution, and biodiversity pay the appropriate amount for this too.
18. The system is already in place and road users are aware of and understand how to use it. It would likely be easier to continue using this system and extending it, instead of creating a new system.
19. This could lead to costs of externalities being recovered sooner and utilised quickly.
20. In the context of transport emissions and climate change, we know that we need to act as soon as possible. A charge needs to be in place to help to shift behaviours and make much needed changes sooner rather than later, for example by shifting people away from driving high emissions to lower emissions vehicles, which has both climate and health benefits. However, we do believe a simpler way than using the RUC could be to charge high emission vehicles fuel tax, and this should be considered.
21. A disadvantage of using the RUC to recover the cost of externalities, is that petrol vehicles are already charged an emissions fee from the Fuel Excise Duty (FED), so this will potentially create a confusing system that is hard to understand.
22. Another disadvantage is that people may continue to associate the cost with the building, operating and maintenance of the transport system, and so may want to see the funds spent on that. This may lead to expectations of vehicle-focused improvements to our transport network, when we need our transport system to encourage a more multimodal view.
23. It would need to be made clear that any increased costs/charges will be put towards a number of incentives, some of which will be designed with behaviour change, climate benefits, health benefits etc. in mind. Work would need to be done to raise public awareness and understanding that there is more cost to driving than just infrastructure, and that this is why the RUC is changing.
24. Another disadvantage of using RUC to recover costs of externalities such as climate impacts could be that it just becomes 'another cost' that people put up with and get used to. For those who cannot afford high petrol and road user charges so easily the options become either using cheaper, unsafe, higher emission vehicles or a currently poor public transport system. An effective public transport system is not one that only those who can't afford car travel will use. Significant investment needs to be made to create a public transport system across New Zealand that is the quickest easiest and preferred mode of transport for all.
25. ***Question 2: If RUC should not be used for recovering more than road costs, what alternative approach might be appropriate for recovering those costs?***
26. **RESPONSE:**
27. We support the use of RUCs for recovering more than road costs, such as impacts of emissions on health and climate.

28. If high-carbon fuel vehicles are not charged a climate and health related cost through the RUC, then another charge system must be in place. We support exploring fuel tax as an option.
29. ***Question 3: What advantages and disadvantages are there to considering externalities when setting RUC rates?***
30. **RESPONSE:**
31. An advantage of considering externalities when setting RUC rates is that this is a fairer way to allocate costs of transport options and could be used to influence travel decisions towards more climate-friendly modes.
32. A disadvantage is that alone the RUC charge is a poor way to encourage mode shift and will not drive an equitable transition. It is key that the RUC charges are balanced with a range of incentives and mechanisms and a significant investment into the infrastructure for alternative modes of travel is made.
33. ***Question 4: If externalities were to be considered, what criteria should be used to determine what externalities should be taken into account when setting RUC rates?***
34. **RESPONSE:**
35. Refer response to question 5 below.
36. ***Question 5: If externalities were to be considered, how should these costs be set?***
37. **RESPONSE:**
38. We strongly support that externalities should be charged to road users. However, we recommend further consideration as to whether the RUC is the most effective and efficient method for charging for those externalities. If there are more efficient methods (e.g., increasing petrol taxes) then that should be considered/favoured. The extent of negative impacts caused by the externality should be taken into account and costs be set based on the expense of removing or reducing the impact.
39. Externalities considered should be specific to the negative impacts that road use has on health and the environment. This should include the cost to human health through both pollution and road accidents, and the cost to mitigate environmental impacts from both construction and use including pollution, water, waste, biodiversity and climate impacts.
40. The cost of driving on our roads should correlate to the cost that driving has on the environment and public health. The transport sector is responsible for over 21 percent of New Zealand's gross domestic greenhouse gas emissions. This cost needs to be contributed to by road users.
41. If all externalities considered are charged through the RUC, then vehicles that do currently pay some costs towards externalities through the Fuel Excise Duty (FED) should have reduced charges related to what is included in FED (as currently stands).
42. ***Question 6: Would charges for externalities be in addition to the current form of RUC, and potentially used to address the externalities directly, or be a core part of total land transport revenue?***
43. **RESPONSE:**
44. If charges for externalities are charged through the RUC this could be in addition to the current form of RUC but then allocated to a fund to address the externality directly.

45. Revenue raised from a basic charge should be used for improving road safety, increasing public transport infrastructure, road maintenance, and improve use of low carbon, recycled materials used on roads.
46. An emissions charge should be charged for high carbon vehicles and funds recovered go towards emissions reductions, improved public transport infrastructure and services, electric vehicle infrastructure and health related issues.
47. If high carbon fuel vehicles are not charged a climate and health related cost through the RUC, then another charge system must be put in place. We believe increasing and adding fuel tax is an important option to explore.

48. *Question 7: How would vehicles not paying RUC be affected?*

49. RESPONSE:

50. Light Electric Vehicles (EV) (mainly cars) are currently exempt from paying RUC until 31 March 2024 and heavy EVs (trucks and buses) are exempt until the end of 2025 as part of existing measures to encourage people to buy and use them.
51. Low emission vehicles should not be permanently exempt from RUC but should not be charged any extra emission related fee as suggested above.
52. Exemptions or discounts for low emissions vehicles should not be permanent, as all road users should contribute to a basic fee. Discounts/exemptions should continue to be placed as incentives to encourage use to the point where either uptake reaches climate related targets, or it is understood that as an incentive this is ineffective.
53. Hybrid diesel cars should be classed as and charged as diesel. A person may own a car but hardly ever drive it, however the charge is by vehicle ownership and not the amount of road use. Therefore, a car that may be occasionally used as a petrol or diesel car should be charged as one. An advantage of charging a tax on fuel would resolve this issue.

54. *Question 8: What are the advantages and disadvantages involved in changing the purpose of the RUC Act so that climate policy generally, or greenhouse gas emissions specifically, can be considered when setting RUC rates?*

55. RESPONSE:

56. An advantage of changing the purpose of the RUC Act so that climate policy and greenhouse gas emissions can be considered when setting RUC rates, is that this will go some way to assist with equity issues around cleaner fuels and technologies that we are currently faced with when responding to climate change.
57. As outlined in the consultation document, vehicles powered by low-carbon fuels are currently more expensive than their fossil-fuelled counterparts. This means that people on lower incomes are less able to afford the cleaner technologies.
58. Those on lower incomes sometimes work more irregular hours or shift work, when public transport is not operating, or it is less safe and enjoyable to walk/cycle to places of work. Therefore, it could be argued that those on lower incomes who rely most on their vehicles currently, are less able to shift from this mode of transport to public transport or an active mode. Further research and data would be needed to support this.
59. At present this means that portions of our society on a lower income are possibly excluded from participating in the transition to a low carbon future (when it comes to vehicle choice).

60. However, those on lower incomes are predicted to be disproportionately impacted by the effects of climate change; meaning that while they are less able to participate in reducing emissions (for example because they cannot afford clean vehicles or shift to another mode of transport), they will still be the most affected by the impacts of these emissions.
61. We therefore agree with changing the purpose of the RUC Act to support technologies or fuels that are currently more expensive than existing fuels but assist with reducing greenhouse gas emissions.
62. To address the risk that it would be more efficient/effective to spend revenue from the RUC directly on reducing carbon emissions rather than forego RUC revenue (for example by providing RUC exemptions for cleaner fuels or technologies), we refer to our previous suggestion that all road users are charged a basic charge for using the roads (in line with the current key principle of RUC).
63. This will allow for revenue from all users and recognition that even low-carbon transport options (such as EVs) are impacting the road network. Then applying an emissions charge as suggested, would provide an incentive to choose vehicle combinations that minimise damage to the road network as these combinations would typically be those that are low carbon, too.
64. ***Question 11: How should the RUC rates be set for vehicles that could use more than one fuel and these fuels had different greenhouse gas emissions?***
65. **RESPONSE:**
66. As with previous comments around hybrid diesel cars (and how they should be classed as and charged as diesel), we would support that any vehicles with more than one fuel and the fuels that have different greenhouse gas emissions should be charged and classed as the higher emissions fuel.
67. This is because it would be difficult to track use of the more climate-friendly fuel versus the higher greenhouse gas-emitting fuel. A car that has the potential to be used as a diesel, may be used like this most of the time, and so should be charged as such.
68. This will further help to incentivise climate-friendly choices, for example encouraging purchase of fully electric vehicles versus hybrid ones which may still emit high levels of greenhouse gas.
69. ***Question 12: What advantages and disadvantages are involved in using NLTF revenue to reduce carbon emissions rather than foregoing RUC revenue?***
70. **RESPONSE:**
71. Currently revenue from the RUC goes to National Land Transport Fund (NLTF). If we reduce revenue for example by giving discounts for climate-friendlier vehicles like EVs and public transport, then there is less money 'in the pot' to help with reducing carbon emissions.
72. However, in order to shift behaviours, we need to incentivise them. People will not shift their behaviour to using public transport, for example, if it's too expensive. Equally revenue from the NLTF is required so that we can invest in the public transport infrastructure and make it better than driving, so people not only can afford to use it, but they also want to use it (because it's an effective and efficient way to move around).

73. So, it needs to be a mix of foregoing revenue on the more climate-friendly options, for example exemptions for low-carbon vehicles and public transport and increasing cost for less-climate friendly options like charging more for diesel vehicles, while people build the habits that we need them to adopt for reducing emissions. That is, any RUC exemptions for climate-friendly behaviour should be recovered by increased costs imposed on less climate-friendly behaviour. That way we can ensure we have enough revenue from the NLTF to invest in things like the public transport system, making this better and making people want to use it because it's cheaper (due to discounts/exemption).
74. We still need to incentivise good behaviour choices, and this involves a mix of increasing cost of less-climate friendly options and decreasing cost of more climate-friendly options to encourage people to make the habit. Then once they have the habit, we can reassess the costs.
75. Hamilton City Council agrees that there may also be other opportunities where it would be more efficient or effective to spend NLTF revenue (that is, revenue from RUC and FED) directly to reduce carbon emissions rather than forego RUC revenue e.g., investment in walking, cycling and public transport infrastructure and/or public transport services.
76. We agree that a RUC exemption should be treated as an expense under the NLTF and subject to the same processes for approval as other funding decisions, through the Government Policy Statement on Land Transport. This would ensure that the impacts of any exemptions on transport revenue were fully considered.
77. Ultimately RUC exemptions come at a cost – either as reduced revenue into the NLTF or as an expense taken from the NLTF if the RUC exemptions are not offset by increased costs imposed on other RUC vehicles.
78. The NLTF is already under a lot of pressure, and this will increase with the need to achieve our climate change challenges in the transport activity.
79. At least if the RUC exemption is included as an expense under the GPS there will be transparency of the loss of funding available to fund the Government's existing GPS investment priorities that may need to be deferred or delayed as a result of the reduced revenue. This will also enable an informed discussion/decision on the benefits versus costs of using RUC exemptions versus other activities to reduce our carbon emissions.
- 80. *Question 14: What are the advantages and disadvantages with the environmental effects of different fuel types being considered in calculating RUC rates for vehicle types?***
- 81. RESPONSE:**
82. Vehicles that do currently pay some of these charges through Fuel Excise Duty (FED) would have reduced charges related to what is included in FED (as currently stands).
83. A disadvantage is that multiple charges make the RUC complex. The environmental impacts of fuels can be charged directly through a fuel tax on each fuel. This creates a user's pays system that would be fairer to less frequent road users.
- 84. *Question 37: What are the advantages and disadvantages of subjecting road-registered very light vehicles that are not powered by petrol to RUC, or a higher annual licence fee, for travel on public roads?***
- 85. *Advantage:***
- It will provide a mechanism for collecting approximately \$14 million annually (not including GST) that would otherwise be lost from the NLTF. The NLTF is currently very reliant on funding from FED and there is already a shortfall in achieving the infrastructure maintenance, operations, renewals and improvements needed.

86. Disadvantage:

- An argument to justify charging these vehicles based on the fact that while their wear and tear on the road pavement is less than other vehicles (due to their size and weight) they do still require and benefit from all of the other infrastructure within the road network e.g., streetlighting, roadmarking, signs and traffic signals could equally apply to cycles and scooters. Does this become the thin end of the wedge for other light weight modes to also get charged for the use of the transport network?

87. *Question 39: What principles should we use to determine a RUC rate, or higher annual licence fee, for motorcycles and mopeds?*

88. RESPONSE:

89. The following factors should be used to determine a RUC rate or higher annual licence fee for EV motorcycles and mopeds:

- While their wear and tear on the road pavement is less than other vehicles (due to their size and weight) they do still require and benefit from all the other infrastructure within the road network e.g., streetlighting, roadmarking, signs and traffic signals. The cost should reflect this.
- The method of collection should be one that minimises the administrative complexity and costs.
- These types of vehicles reduce congestion on the network - and with less congestion there are less emissions from vehicles sitting in queues.
- If these vehicles are exempt from RUC (and FED due to not being powered by petrol) there will be an impact on the NLTF by approximately \$14 million annually (not including GST) in FED. The NLTF is currently very reliant on funding from FED and there is already a shortfall in achieving the infrastructure maintenance, operations, renewals and improvements needed.

90. *Question 44: What are the advantages and disadvantages of removing the requirement to display a physical RUC label?*

91. RESPONSE:

92. Hamilton City Council notes that this this proposal to remove the label requirement only relates to light vehicles.

93. The only tangible advantage is a potential cost saving of the printing and distribution of the RUC label, which is minimal and would probably not flow through to the user.

94. It was noted that the requirement to display a current physical licence is an inconvenience for light vehicle owners, but also leads to non-intentional non-compliance through a delay in receiving their physical licence in the mail. Given the low levels of enforcement on light vehicles, this is not considered a major issue and is probably more applicable to heavy vehicles.

95. If the proposals included in the consultation paper for providing other means to assist drivers to remain compliant (see below) then there are also not any major disadvantages to this proposal that we can identify.

96. *Question 45: What problems for non-compliance and enforcement might this cause?*

97. RESPONSE:

98. Scanning the Label

99. Parking Wardens rely on scanning the barcodes of the licence labels rather than a manual entry. Manual entries may lead to higher error rates and a loss in efficiency. All Warden devices have a shortened version of motor check that can input all vehicle details as well as check for up-to-date data on expired WOF and Registration details. NB The shortened version protects the privacy of vehicles owners from Wardens.
100. **Drivers using Different Plates on a Vehicle i.e., Stolen Plates**
101. Issues will arise where a different plate is attached to a vehicle. A Parking Warden will need to locate the VIN and enter to find correct plate number - the Wardens will take more time to work out the true plate details causing an inefficiency in area management as well as increasing the risk of abusive and aggressive encounters from the drivers. If no VIN is detected or the correct plate is not attached, Parking Wardens cannot issue an infringement notice.
102. **Incorrect Infringements Sent**
103. People may receive incorrect infringements if an incorrect plate or stolen plate is used. A scanned licence label shows the Warden the make and model of a vehicle and can match these details to the car in front of them i.e., the make and model. This stops any incorrect infringements from occurring e.g., if the Warden's devices say it is a Mazda, but a visual check from Warden shows the car is in fact a Nissan. Taking away a label means Wardens need to rely on the plate to be correct.
104. ***Question 46: How can Waka Kotahi assist drivers in ensuring they remain compliant with RUC if the label-display requirement is removed?***
105. **RESPONSE:**
106. Hamilton City Council acknowledge and support the following idea's put forward in the consultation paper:
- That Waka Kotahi would work towards a wider compliance portal, where a road user could determine their compliance requirements, for example by checking their RUC licence against their physical vehicle odometer would be essential.
 - A smartphone application to purchase RUC automatically as a long-term solution for light vehicle owners would also be very useful.
 - Ability to still cater for those people who may prefer the physical label or may not have internet access to purchase and confirm compliance through an online portal.
107. ***Question 49: What are the advantages and disadvantages of removing the requirement to display physical vehicle licence ('rego') labels?***
108. **RESPONSE:**
109. Hamilton City Council notes: The annual vehicle licensing system collects revenue for the Accident Compensation Corporation (ACC) and the NLTF (to help fund the Motor Vehicle Register). The payment process also collects data that is used to update the Register, which is vital for road safety enforcement.
110. There are no safety implications for this proposal, as all vehicles will still require either a Warrant of Fitness or Certificate of Fitness label to be displayed. The proposal only removes the requirement to display a label that confirms that the correct fees have been paid.
111. The New Zealand Police and councils both have access to the Waka Kotahi databases for enforcement purposes, using the vehicle licence plate as a reference point.
112. The proposal would shift enforcement of vehicle licence fee payment from roadside enforcement by councils and onto the Warrant or Certificate of Fitness inspection system.

113. Hamilton City Council currently collects in the order of \$746,000 annually (pre COVID) in enforcement fines relating to expired vehicle registration. While this is a source of revenue and this proposal will result in the inability to collect this type of fines, it will also result in the Register being less accurate.
114. **Note:** the figure shown above of \$746,000 comprises enforcement fines from:
- **Licence not affixed to vehicle.**
 - **Used a vehicle with an exemption from continuous licensing** - this is when an owner wants to put the licence on hold as the vehicle will not use the vehicle for a longer period. Drivers are not permitted to drive or park an exempt vehicle on any section of road until it becomes fully licenced as per legislation.
 - **Operated an unlicensed vehicle** - a driver or owner must ensure that the vehicle is always licenced. If the vehicles licence lapses one year after its expiry it becomes unlicensed and will cost more money to re-register - this is why the vehicle owners choose to put their registrations on exemption.
115. It is noted that for parking enforcement purposes, councils could continue to have access to Waka Kotahi's databases to determine compliance and issue fines for unlicensed vehicles if they choose to. In this context, it would be preferable for councils to focus any enforcement efforts on vehicle safety issues through the Warrant or Certificate of Fitness label, which would remain.
116. We also note that Waka Kotahi is currently consulting on introducing a fee for the use of this information. With the increasing use of technology such as Licence Plate Recognition software there will be a large increase in the number of 'transactions' that councils have with the Register and there is a potential risk of it not being economic for councils to complete enforcement activities.
117. Decrease in enforcement of WOF and COF will have a decrease on the level of safety of vehicles on the road.
118. Licence labels act as a method of vehicle identification. If this method becomes obsolete, the Parking Wardens will solely rely on the plate being correct at all times.
119. In the event that the plate is incorrect, the Wardens will need to investigate other avenues of identification i.e., the VIN number.
120. In the event of the plate being incorrect with an infringement being issued, Hamilton City Council (and other local authorities) are at risk of receiving increased amounts correspondence for our adjudicators.
- 121. *Question 50: How can Waka Kotahi assist drivers in ensuring they remain compliant with their vehicle licensing obligations if the label-display requirement is removed?***
- 122. RESPONSE:**
123. Hamilton City Council notes that removing the licence label would put greater responsibility on the registered person and the use of licence reminder notices provided by Waka Kotahi as a primary means through which a registered person would be made aware of the impending expiry.
124. We note that compliance is also reinforced through the Warrant or Certificate of Fitness inspection process as a vehicle must be licensed to be issued with a Warrant or Certificate of Fitness.
125. Hamilton City Council strongly supports the proposal from Waka Kotahi scoping the option to develop an online tool to assist road users with their compliance in terms of both vehicle licensing and RUC.

126. We note that removal of the label will decrease the opportunity for Council enforcement activities to provide assistance and reminders for drivers to remain compliant with their vehicle licensing obligations.

Further Information and Opportunity to Discuss Our Submission

127. Should the Ministry of Transport require clarification of the submission from Hamilton City Council, or additional information, please contact **Robyn Denton** (Operations Team Leader, City Transportation) on 07 838 6910 or 021 971 127, email robyn.denton@hcc.govt.nz in the first instance.

128. Hamilton City Council would welcome the opportunity to discuss the content of our submission with the Ministry of Transport in more detail.

Yours faithfully



Lance Vervoort
CHIEF EXECUTIVE

Hamilton City Council
Garden Place, Private Bag 3010, Hamilton

 /HamiltonCityCouncil

 @hamiltoncitycouncil

 07 838 6699

hamilton.govt.nz