



Taituarā
Local Government Professionals Aotearoa

The Land Transport (Revenue) Amendment Bill **Submission of Taituarā – Local Government Professionals Aotearoa**

What is Taituarā?

Taituarā — Local Government Professionals Aotearoa (Taituarā) thanks the Justice Select Committee (the Committee) for the opportunity to submit regarding the Committee's inquiry into the 2025 local elections.

Taituarā offers managerial and technical insights and perspectives into the policy process.

Taituarā is Aotearoa New Zealand's leading membership network for professionals working in and for local government. Our thriving membership base comprises chief executives, managers, and staff from all 78 local authorities across the region.

What unites Taituarā members is our commitment to being our professional best, supporting local government excellence through connection, collaboration, and care for the well-being of our communities.

Taituarā strengthens the local government sector by leveraging our members' insights and experience to inform the public policy debate. We encourage thought leadership by enabling our members to step back from the day-to-day agenda, share wisdom, create value, and build knowledge.

The local government sector owns approximately 83,000 kilometres of local roads (around 88 per cent of the road network by length). The land transport network is essential for the safe and efficient movement of people and goods, as well as for urban form and environmental sustainability outcomes.

Extending the range of tolling powers supports the future construction of major road projects, the roads of national significance not least.

A toll is a direct payment made by road users for the right to use a specific road (or other transport infrastructure, such as a bridge or tunnel). Tolls are widely used

around the world, both historically and currently. New Zealand currently has three tolled roads, all of which are managed by the New Zealand Transport Agency. In the past, tolling has been used to fund the Auckland Harbour Bridge and the Tauranga Harbour Bridge.

The Bill extends powers for road operators to 'toll' new roads, subject to Ministerial approval. For the most part, all of the procedures and safeguards in the present legislation remain in place.

The Bill relaxes current requirements that an untolled alternative route must be available for all vehicle types and enables the Minister to include provisions restricting heavy vehicles from using alternative routes. The likely alternative is that it will be a local road, not designed for frequent heavy vehicle use, which could increase maintenance costs (with the consequent cost impacts or raise safety and noise concerns (e.g., being near a school)).

We agree that the legislation should permit regular adjustments to tolls to keep pace with changes in costs. The Bill achieves this by allowing for the adjustment of tolls in line with the Consumer Price Index (CPI), which measures headline inflation.

However, the costs involved in providing infrastructure and the costs faced by households differ significantly. There aren't a lot of tomatoes or underwear engaged in constructing a road, just as households don't consume a lot of bitumen. The two costs do not always move in tandem – and over the last twenty years, construction costs have increased much faster than headline inflation.

Provisions in other legislation recognise this by allowing for adjustments based on a measure of construction costs. For example, development contributions under the Local Government Act enable local authorities to adjust the contribution by the Producer Price Index (Outputs) for Construction without having to reconsult. The Select Committee might amend the Bill accordingly.

The planned move from fuel excise is both welcome and overdue.

Part two of this Bill amends the Road User Charges Act to modernise the administration of the Road User Charges (RUC) system by extending the range of payment options to (among others) subscription models. The Bill also sets the scene for future change by allowing in-vehicle technology to track distance, ultimately enabling the transition to electronic RUC for light vehicles.

We are not experts in the administration of RUC schemes; we submit to add our 'in-principle' support for the move.

We do so for two reasons – one pragmatic and one transformative.

This Bill recognises that fuel excise is financially unsustainable in the medium term.

The pragmatic reason should be apparent; the purpose of both fuel excise and RUC is to raise revenue to support the maintenance and enhancement of the land transport system. It has long been known.¹ The fuel excise would become increasingly unsustainable as a revenue source due to the increase in fuel efficiency standards and the expansion of alternative technologies, such as hybrid engines.² We'd also add that any successful effort to encourage large-scale mode shift would also reduce fuel excise, acknowledging the impacts on travel times and vehicle emissions.

Transport modelling suggests that the level of fuel excise revenue is expected to reach a peak around 2035, and then gradually decline over the next twenty years. According to the contract, an additional 0.7 to 1.1 million RUC-paying vehicles are expected to enter the system. That is to say, the transition that this Bill sorts is critical to the long-term financial sustainability of the land transport system.

The present RUC scheme was world-leading in its time. However, it is a paper-based system that relies on pre-purchase, the display of paper stickers on windshields, along with the reading of odometers and completion of logbooks.

This Bill marks the beginning of the shift to road pricing – a move long sought by the local government sector.

This Bill is a first step towards pricing of road use. It permits the use of 'accurate' in vehicle monitoring of distance. This is not the full road pricing that would factor in time of use and specific location (to our knowledge, the technology supporting this has not been implemented beyond the city and regional levels at this time). However, it is a transparent distance-based charge that is not hidden within the broader price of fuel (and other taxes on fuel).

The local government sector has long advocated for the use of road pricing. This is soundly based on the principles of orthodox economics, which holds that when users of a service face the actual costs of their demand, they demand only what they value. It is little different from the principles underpinning policy instruments such as the

¹ The sustainability of fuel excise was one of the important policy reasons for commissioning the first Land Transport Pricing Study in 1995-6.

² The regulatory impact statement that supports the Bill notes that approximately 3.3 million vehicles (or 73 percent of the vehicle fleet) pay fuel excise.

New Zealand Emissions Trading Scheme (NZETS), and in the design of many of the current schemes for metering the supply of drinking water.

The options have been identified and canvassed over the years. Road pricing has been on policy agendas since the original Land Transport Pricing Study undertaken a generation ago.

The Bill does not specify a date by which light vehicles will transition from fuel excise to RUC. This is a prudent 'pause' to allow for an assessment of the availability of the payment options that the Bill enables. However, we're also aware that a significant amount of policy development is needed before RUC can begin. For example, policy-makers will need to:

- make decisions about the charge (for example, will this charge recover the full economic cost of road use, and determine what the charge might be)
- consider the distributional effects of charging in this way and whether a response through the social assistance system is necessary
- consider the privacy issues in charging in this way.