



ALLEN+CLARKE

Stage Two Evaluation of the Road User Charges (RUC) System Newsletter

October 2014

THE RUC EVALUATION

Allen + Clarke has recently completed the second stage of an evaluation for the Ministry of Transport's (the Ministry) new Road User Charges system. This follows on from the first stage of evaluation completed in 2013, to find out what ongoing impacts the changes to the system have had, including how they have affected the transport industry. The first stage of evaluation took place shortly after the new system had been implemented, and as a result in some instances it was too early to be sure if some of the expected outcomes had occurred.

At the time of the stage two evaluation the new system had been operating for approximately 22 months, allowing us to look into ongoing impacts on the transport sector, now that the system has been in place for a while. The first stage of evaluation focused at the individual operational level, whereas the second stage focuses more on the systemic level. *Allen + Clarke* spoke to a range of different transport sector associations and commercial and private vehicle operators. We also focused more on light diesel vehicles in the second stage, including a survey of commercial and private drivers. The following is a summary of the key findings of the evaluation relevant to the transport industry.

WHAT WE FOUND

The total revenue collected by the government has not increased because of the changes

The changes to the RUC system were not intended to increase the total amount of money the government collects from road users. At the end of the first stage of evaluation this intention was achieved, and the changes appeared to be revenue neutral. This has been tested again in the second stage of evaluation. We looked at average revenue per kilometre in both heavy and light vehicles for the 12 months before and after the RUC system changes. We found that the revenue per kilometre was about the same - it has increased by 0.4 percent for light vehicles and decreased by 0.3 percent for heavy vehicles.

After taking out the effect of average price increases, on a per kilometre basis there has been no increase in the revenue collected by the government due to the RUC system changes.



The difficulty in evading the new system has created a more even playing field for transport operators

The change to fixed RUC rates was intended to make it harder for operators to avoid paying their share of RUC and to remove the subsidy that compliant operators paid to evaders. Police data and a widespread perception from across the transport industry suggest that the change has been successful in making the system harder to evade, and has helped to largely eliminate weight based evasion. Overall, transport operators are confident that the RUC system has become more credible due to the removal of weight based evasion, creating a more even playing field amongst operators.



Other forms of evasion are still present however; we heard reports from several different sources that distance-based forms of evasion such as hubodometer and odometer tampering are occurring. It is very difficult to measure the extent to which this is happening but it does not seem to be a significant issue and probably only occurs among a small minority of owners. Roadside checks, and WoF and CoF inspections are the most likely way of detecting these forms of evasion, and the Ministry and Police are aware of this. This issue is continuing to be monitored.

The RUC system's requirements to pay up to the permitted weight is concerning for the transport industry and is acting as a barrier for HPMV uptake

The evaluation findings suggest that there is a perceived 'clash' between the HPMV permitting system and the RUC system. Many of the transport operators we spoke to who use HPMV or overweight permits raised concerns that they had to pay RUC up to the permitted weight, rather than their actual load weight. Transport operators reported that this does not account for the standard industry practice to load under the permitted weight, and it was viewed as unfair to require payment of RUC on weight that they would never carry.

The changes to the RUC system have had a minor impact on the type of vehicles bought by transport operators, but HPMV and 50MAX permits have had a greater influence

The evaluation found that there has recently been a shift within the New Zealand transport fleet in the size and type of trailers used. The RUC changes have contributed to an increase in demand for 'rows of eight' trailers and away from 'rows of twins' trailers for overweight loads where additional licences are required. The rise in demand for such trailers is partially due to the lower RUC rate for additional licences for the 'rows of eight' trailer, and the higher RUC rate for the additional licences with the 'rows of twins' trailer. Some operators told us that it now makes financial sense to purchase 'rows of eight' trailers when operating overweight loads, due to the lower RUC rate for the additional licences.

Changes to the permit system have had a larger impact on changes to New Zealand's vehicle fleet than RUC. The evaluation found a strong trend in increased demand for five axle full-trailers. Operators and trailer manufacturers reported that this was to enable uptake of HPMV and 50MAX permits, which allow greater efficiency with vehicle loading. Data on first time registration of heavy trailers found a clear decrease in four axle trailers and a corresponding increase in five axle trailers since the new permitting scheme was introduced.

Uptake of eRUC systems continues to increase, particularly among larger fleets

The uptake of eRUC systems continues, particularly among larger fleets, and fleets whose operations involve off-road travel. It is estimated that the number of vehicles with eRUC systems is approximately 13,000 – 14,000 vehicles. Analysis of RUC revenue found that eRUC licence sales as a percentage of total sales increased from 13.9 percent in July 2013 to 17.6 percent in June 2014.

Cost remains the main barrier preventing wider uptake amongst transport operators, particularly smaller fleets. Currently, it is still mostly larger transport fleets that are taking on eRUC systems as they have the larger financial base to afford them.

The Ministry of Transport has made changes to address some issues identified in the first stage of evaluation



The first stage of evaluation uncovered several issues for transport operators as a result of the RUC changes. We found that the change to fixed RUC rates had resulted in a large increase in cost for people who owned vehicles with a high GVM that do not carry payloads, such as buses that have been converted into motorhomes. This made using motor caravans unaffordable for some owners. In response, the Ministry added two new vehicle types on 1 July 2014 (types 413 and 414) for three and four axle motor caravans. The introduction of these vehicle types has mitigated the impacts on those worst affected, and received positive feedback from the New Zealand Motor Caravan Association.

There was also confusion amongst transport operators around the ability to uncouple HPMVs operating in specific combinations, and a perception amongst some operators that the inflexibility to uncouple vehicles was inhibiting efficient vehicle use. Amendments were made to the RUC regulations that make provision for unladen type H vehicles to carry, rather than tow, a RUC vehicle that ordinarily forms part of the combination vehicle, and for any powered vehicle that is defined as part of a specific combination to operate without a trailer when unladen. These changes took effect on 1 July 2013. An amendment to the RUC Act allows vehicles to move between HPMV configurations and standard vehicle configurations under 44 tonnes, without changing their RUC type, provided RUC has been paid to the value payable for the technically correct vehicle type. We found that the amendments have largely been effective in addressing the concerns raised by transport operators and Police around the circumstances in which HMPVs can operate out of combination, and the lack of flexibility in vehicle use.

Educational guidance on the RUC system requires improvement, particularly to assist light diesel vehicle owners in understanding the system

The evaluation found that understanding of the RUC system by light diesel vehicle (LDV) owners is limited. A survey undertaken as part of the evaluation identified that many owners of these vehicles learned about the need to pay RUC via word of mouth rather than from an NZTA resource.

Some LDV users told us that they knew enough about the system to be able to purchase RUC, but didn't know the rationale for the RUC system, how costs are allocated or what the funds go towards. This is not a major problem as long as LDV owners always buy their RUC. However, the evaluation found that some LDV owners are not purchasing RUC due to misunderstanding their obligations.

This could be improved if the NZTA produced more educational material specifically for LDV owners, and made sure that this was available at a range of outlets related to RUC, such as online, at RUC agents, vehicle dealers, and at WoF sites.



Note that these issues existed prior to the RUC changes, and are not a result of the changes. The findings do however have the potential to impact on RUC revenue and the overall fairness of the system to other compliant transport operators, as evasion (whether intentional or unintentional) has historically resulted in compliant operators compensating for those who do not pay their RUC.

NEXT STEPS

What the Ministry are doing

Based on our findings, we have made a series of recommendations to the Ministry to improve the system where issues are still occurring 22 months after the implementation of the changes. We have recommended that the Ministry look at options to address HPMV and overweight vehicle operators' concerns around paying RUC up to the permit weight. A short term recommendation is to improve the educational and information resources available to RUC users, and look to shift more administration processes online.

Next stages of the evaluation

The Ministry are planning to do one more cycle of evaluation of the RUC system. The next cycle will consider the longer-term impacts of the changes, and will seek to identify any on-going problems with the system that have yet to be identified and rectified, and that may still require adjustment.

QUESTIONS

If you have any questions about the evaluation please feel free to contact the *Allen + Clarke* Project Sponsor, Paul Houlston at phoulston@allenandclarke.co.nz.