

This correspondence from:
The Secretary
New Zealand Federation of Motoring Clubs Inc.
PO Box 24-225
WELLINGTON 6142
Email: secretary@fomc.co.nz



25 March 2011

Clerk of the Committee
Transport and Industrial Relations Committee
Select Committee Office
Parliament Buildings
WELLINGTON

Dear Sir/Madam

Submission to the Transport and Industrial Relations Select Committee on the Road User Charges Bill 261-1 2010. The FOMC also wishes to be heard by the Select Committee.

Introduction

1. The New Zealand Federation of Motoring Clubs

The NZ Federation of Motoring Clubs is an incorporated society representing over 125 clubs with individual membership of some 60000 plus enthusiasts who collectively own special interest heritage and hobby vehicles comprising cars, motorcycles, trucks and military vehicles, motorhomes, tractors and traction engines, and vintage machinery spanning all years of production.

We welcome the opportunity of submitting on this bill.

2. The Purpose of the Act is set out in section 3 of the proposed Bill:

The purpose of this Act is to—

- (a) continue the road user charges system by imposing charges on heavy vehicles and certain other vehicles for their use of the roads that are in proportion to the costs that the vehicles generate:
- (b) modernise and simplify the road user charges system:
- (c) improve compliance with, and the recovery of, road user charges:
- (d) establish a framework for the electronic management of road user charges.

Executive Summary

3. The Federation is concerned that in Section 3 [a] of the Bill, the statement of the intent, the relevant words being **“in proportion to the costs that the vehicles generate”** is at complete variance with the body of the Bill, which if implemented as presented, overrides the fundamental common law principle of fairness and equity

by imposing a universal rating charge on all heavy vehicles to their maximum permissible weight with total disregard to vehicle type or use.

4. The proposed application of this Bill throws the principle of user pays out the window. The result, we suggest, is that it will impose additional costs regardless of use on approximately 70% of the over 6000kg GVM vehicle user fleet in NZ.
5. In paragraphs 13 and 14 of this submission, we highlight the change to two examples of larger motorhomes, where based on current RUC figures, cost increases of 396% and 410% are identified. In paragraph 17 we also identify a sample heritage truck where the increase would be in the order of 580%. In a final example in paragraph 18, we identify a common 4 axle low loader that is currently rated appropriately for its purpose, but if fully rated as required under this Bill would incur a 212% RUC fee increase. We are concerned that many other examples exist across the commercial and non commercial fleet.
6. The move to a maximum RUC rating on all over 3500kg vehicles will result in a direct cross subsidisation of the long haul heavy vehicle fleet who enjoy very much higher laden percentages from that of the small operator service sector.
7. We believe that this Bill represents a one cap to fit all. We submit it does not and will not meet the test of fairness as claimed, and will discriminate against most of the small commercial and non commercial operators within the community.
8. There is no distinction made between commercial and non commercial private vehicle operators including motorhomes and heritage vehicles
9. Much comment is made that the Bill simplifies the current system. That may be the case for some large commercial users, however for the majority simplicity does not reflect equity.
10. The Federation's specific areas of concern with the proposed changes as they directly relate to our membership is covered in the following examples. One of the most significant changes proposed in the bill will see the removal of the system whereby heavy-vehicle operators nominate a licensed weight for road-user charge purposes. That will be replaced by a system whereby each vehicle will have its own permanent road-user charge weight being the maximum weight permissible. We highlight the impact of this below.
11. While the comment is made that RUC charges equate to only 10% of vehicle operating costs, that is not true for small owner operated tradesman's vehicles, heritage vehicles, and motorhomes where there are no direct wages charges to the operator and no associated overheads. There is therefore also no ability to recover the proposed increased costs through operator charges.

Motorhomes

12. The Federation as part of its membership represents 22,500 paid memberships [approx 43,000 people] of the Motor Caravan Association. Motor caravans are

generally purpose built bodies on commercial vehicle chassis. We support their concerns in respect of this Bill. By their nature motorhomes have a static weight which is normally less than the gross laden weight of the commercial chassis that they are built on. For example larger motor homes are often operated 3 or 4 tonnes below their GVM rating. Converted buses may be operating between 4 and 9 tonnes below their GVM rating. Using the current RUC charge guide, we calculated the following examples;

13. Example 1; An ex NZRS 3 axle Class 6 bus operated at 12,000kg
Current charge \$114.14 per 1000km
Under this proposal fully rated to 19,600kg GVM rating. [20 tonne]
New cost is \$451.01 per 1000km
That equates to a **396% increase**.
14. Example 2 Larger 2 axle motor home GVM 14.2 Tonne operated at 9000kg
Current charge \$120.24/1000km
Under this proposal fully rated to 14,200kg GVM rating. [15 tonne]
New cost is \$493.50 /1000km
That equates to a **410% increase**.
15. This will impose a substantial additional charge on this section of vehicle owners that neither meets the test of paying in proportion to cost or use, or the test of fairness which this Bill has been tabled under. Most are retirees and as non commercial operators cannot recover these large increases. No provision in the Bill has been made to remedy this inequitable situation

Non Commercial Vehicle users

16. The Federation represents a number of clubs whose members operate heritage heavy vehicles for display and associated activities. Many of these vehicles are never operated laden. In the NZ Military Vehicle Collectors Club for example, significant numbers of such vehicles have been consigned to dark sheds in recent years because of cost factors. While most vehicles meet their original manufacturer's specifications and tolerances of their year and vehicles type, costs including the six monthly compliance costs, the non commercial status of these vehicles [e.g. left hand drive vehicles cannot be used commercially], makes maintaining these vehicles on licence an almost prohibitive expense for their owners. The proposed changes will penalise these owners by adding to these costs.
17. For example; RUC associated with a pre-1970 NZ army truck with 3 axles tare weight 6500kg currently operating on an 8000kg RUC costing \$66.89/1000km being for display and associated purposes. Under the proposed new rated to GVM at 19,000kg – the new cost will be \$383.51, a **580% increase**.
18. In another example, a member who has a significant heritage vehicle collection operates his privately owned 4 axle transporter to transport his vehicles to displays and associated activities. He only requires a maximum of 8 tonnes payload as deck space and a stable platform is essential for his purposes. The current RUC he

pays on class 14 is at the rate of \$158/1000km. The new rate at 23,000kg will be \$336.74, a **212% increase** which ironically is in excess of the ability to correctly load that class of truck.

Tractors and Time Licences

19. The FOMC welcomes and supports the deletion of time licences as a sound practical step. We do not see any change or increase in activity as a result of the removal of time licences, however it is noted that the licence fee will increase.
20. **We oppose** the introduction of a new form of measurement in the suggestion of a 50km travel limit for agricultural machinery. The majority of agricultural vehicles do not have distance recorders. One wonders then how this measure would be policed. A 50km limit may place an unwarranted restriction on some existing users such as those of our members who drive their heritage tractors to display venues such as A&P shows. Such outings are often generally only on an annual or bi annual basis. Many owners cannot justify the cost of owning a truck for such limited use. The introduction of another measure will only serve to confuse the currently well accepted and understood 50km radius rule and create confusion for no practical gain. We therefore suggest that the introduction of a 50km limit is unnecessary, impractical and unenforceable.
21. **We support** the continued application of the existing 50km radius distance for logbook requirements for exempt vehicles and other commercial vehicles used in agricultural operations and recommend that this be retained as the measure for the Time Licence change. We also suggest that it is timely to review the existing 21km round trip provision and request that it be removed as it is now outdated. This was to allow tractors etc to travel to a service centre or between farm properties. Over the last two decades, there has been a huge change in rural NZ with many local service centres closing and service centres being more centrally located. It is not always possible or cost effective to truck such vehicles in remote rural areas. The 50km radius rule is therefore more practical, well understood, easily policed, and currently has wide acceptance.

Time licences – trade plates

22. The proposal to introduce an additional flat charge on trade plates is an issue for some members, some of whom own museums. The current system is based on the user pays principle. It works satisfactorily in that a plate holder purchases time that he needs when he needs it. Some of the heritage type vehicles would only be used say 3 to 4 times per year if that.
23. These plates enable users to take a variety of vehicles to street parades Centennial celebrations, Anzac parades, ceremonial parades, Xmas parades etc. Vehicles including light cars, trucks and trailers to Heavy vehicles, trailers, guns (towed), self propelled guns, tow trucks, ambulances, buses, and other such display vehicles. Such displays are well attended and the public appreciate those who keep the wheels of history rolling for their enjoyment.

24. These activities are not for hire or reward and the owner covers the costs involved. These plates would normally be used on weekends and occasionally on week days. Use varies from area to area in the different parts of NZ, the distances are not normally high, but there are circumstances when a vehicle or vehicles of significance may be required to travel over longer distances.
25. Some owners of unusual vehicles have been able to register these vehicles as Mobile Plant as they do not fit into any other category. Somewhere in the future this difficult issue will need to be addressed.
26. One of our members who is familiar with Australian vehicle issues suggests if an exemption was to be given from a full GVM rating for Heritage heavy vehicles, they could be identified with the use of a coloured plate as is the practice in Victoria to ID such heritage vehicles.

General comment

27. We believe that New Zealand is well served by the private sector's ownership and preservation of a representation of our national heritage vehicle fleet. This has been achieved at little cost to the crown. We believe that their contribution and special needs should be recognised. Such vehicles travel very limited distances and are not in everyday use. In recognition of the many members who also operate heavy vehicles as part of this special vehicle sector, we take the step of offering additional comment on the concept of this bill.

Weight evasion

28. It is claimed this change will greatly simplify administration for industry and for Government agencies and will virtually eliminate weight-based evasion from the road-user charge system. Current penalties are a substantial deterrent for non commercial operators. The proposed change ignores the fact that most road damage is done by vehicles carrying loads above their maximum rated axle weights rather than those with technical compliance issues, therefore a similar level of enforcement will still be required to deal with the issue of exceeding axle limits.

Cross subsidisation

29. The proposed Bill creates a direct cross subsidisation of the long haul heavy vehicle fleet who enjoy very much higher laden operating percentages from that of the small operator service sector. For example many long haul operators often achieve load ratings in excess of 90% of distance travelled. They are the operators that are currently not paying their fair share, while milk tankers, local stock trucks, and general carrier operators struggle to achieve 46% laden usage
30. In addition, many small operators such as local tradesmen, farmers, builders, and private individuals do not need to use the maximum loading capacity of their vehicles. Many such operators need deck size rather than capacity to allow them to safely carry their goods and services and tools of trade. Under this proposal they

will have to pay for the maximum load capacity of the vehicle that is not needed. We believe this is entirely unfair and could be construed as anti-competitive.

Supplementary RUC

31. Under current law, an operator can utilise a heavier supplementary RUC licence as required. It is more expensive, but an option that allows for those circumstances when additional loading is needed. The penalties for overweight on licence are very significant, particularly in relation to non commercial operators. The claim of \$30M of lost revenue is not quantified and there is much questioning of the validity of this figure. A case could be made for the opposite argument in that many operators are often paying more than is needed.
32. The time claim for calculating weights etc does seem to be at odds with reality and we suspect is a figure boosted by those surveyed for political purposes. Most general carriers rate to full usage, stock trucks to load carrying capacity, motor homes to static weight. If there was no return for matching loading to posted weights, then industry wouldn't bother. There is a feeling that the issue has been over stated to sell the current proposition.

Electronic proposals

33. The Federation has concerns that while electronic means of charging is being forecast, the cost impact on low use sectors needs to be considered carefully. A clearer distinction between fully commercial and limited or non commercial users needs to be established, as while the proposal can be supported for operators doing many thousands of Ks per year, those doing limited distances who are not operating for hire or reward will face unrecoverable costs. This includes heritage vehicles and motorhomes. We submit that it is inappropriate to require such operators to meet this compliance expense and ask, will the end justify the means?

Conclusion

34. Many of our members view this Bill as representing the impact of lobbying by a select and powerful group within the transport sector. It represents a narrow desired outcome that disadvantages the majority of low volume and non commercial vehicle users. The view is that this Bill if enacted in its current form will establish a significant cross subsidisation and competitive advantage to a clearly identifiable section of the heavy commercial fleet operators at the expense of those local users going about their everyday low volume business activities.

Recommendation

35. We submit that before this Bill proceeds, a clear distinction needs to be made between commercial operators and any other low volume commercial and non commercial users in order to address the very serious and unjustifiable equity issue that we believe this Bill currently creates. Just because a vehicle is referred to as a commercial vehicle does necessary mean that it is being put to commercial use for hire or reward.

On behalf of our membership, thank you for considering our submission.

Yours sincerely,

Roy Hughes

Secretary

Email secretary@fomc.co.nz

ph. 03 332 7500