

**In Confidence**

Office of the Minister of Transport

Cabinet Economic Policy Committee

**Land Transport Revenue Action Plan**

**Proposal**

1. This paper seeks agreement to an action plan outlining the first steps in redesigning and reforming New Zealand's land transport revenue system.

**Relation to government priorities**

2. Improving the land transport system and reforming the revenue system are priorities for the government. Parts of this paper relate to specific commitments in the coalition agreement between the National Party and the ACT Party, including:
  - 2.1. working to replace fuel excise taxes with electronic road user charging for all vehicles, starting with electric vehicles (EVs);
  - 2.2. working to implement time of use road charging to reduce congestion and improve travel time reliability.

**Executive Summary**

3. This paper proposes an action plan to address funding shortfalls, inconsistent cost allocation, and underutilised tools in New Zealand's land transport revenue system. The proposed plan aims to address these issues by:
  - 3.1. **increasing existing charges:** implement planned increases to fuel excise duty (FED), road user charges (RUC) and annual motor vehicle licence fees (MVR) while also exploring legislative options for ongoing increases to maintain financial sustainability;
  - 3.2. **progressing time of use charging:** enact legislation for area-wide time of use charging;
  - 3.3. **effectively using tolling:** fully utilise existing legislative provisions and potentially reform tolling settings to enhance effectiveness;
  - 3.4. **exploring the full range of tools:** use value capture tools to reduce pressure on existing revenue and public-private partnerships (PPPs) to enable efficient and innovative project delivery; and
  - 3.5. **transitioning the fleet to road user charges:** transition all light vehicles from fuel excise to the RUC system to ensure a better allocation of costs and enable future innovation.
4. The plan involves a phased approach across each workstream, with some actions taking place over this parliamentary term and others taking place over the longer term, such as transitioning the petrol fleet to RUC.

5. I acknowledge the risk of adverse public reaction and the importance of good communication. I am seeking Cabinet endorsement for the action plan, with further decisions on specific policy changes and legislative reforms to be made in October and November 2024.
6. While we have sufficient funding until 2026/27 to deliver our investment commitments, this is largely due to significant Crown funding. Progressing this action plan will provide new tools to reduce reliance on Crown funding but will not necessarily ensure overall revenue levels align with investment plans. Officials will provide advice on the expected levels of revenue that will be generated from enabling different revenue tools. In parallel, work will be required as part of the development of Government Policy Statement on land transport 2027 (GPS 2027) to ensure the revenue from the full suite of tools is sufficient to meet investment commitments from 2027/28.

### Challenges and pressures in the land transport revenue system

7. The Government Policy Statement on land transport 2024 (GPS 2024) is funded for the first three years, but also illustrates the need to reduce reliance on direct Crown funding by reforming the revenue system.
8. Since 2008, our revenue system has included several funding tools to ensure that road users cover most of the costs of maintaining and improving the land transport system. However, the reliance on other sources (particularly the Crown) has significantly increased recently, particularly since COVID-19. Excluding the Crown, the primary sources of revenue for transport are:
  - 8.1. **fuel excise duty** of 70 cent per litre tax on petrol, which collects about \$2 billion annually. The FED system results in variations and inconsistencies in how much users pay for their use of the network (the distance they travel) due to the differing fuel economy of vehicles;
  - 8.2. **road user charges** which raise around \$2 billion annually from diesel, heavy, and now electric vehicles. RUC provides a robust framework for consistently applying a “user-pays” approach for distance travelled, based on vehicle type and weight. While it is unique internationally, it has been in place since 1977 with only incremental changes since.
  - 8.3. **motor vehicle registration and licensing fees** which raise around \$200 million annually but have not been increased for several years; and
  - 8.4. **local government** contributes about \$1 billion annually towards the local road network and public transport activities, primarily through rates revenue.
9. Despite revenue from FED and RUC being “earmarked” or hypothecated for road-related expenditure since around 2008, funding from the Crown has increasingly been required, especially in recent years. Hypothecation was intended to provide a more consistent approach for long-term funding by limiting reliance on Crown funds and creating a more direct link between the revenue source and users or beneficiaries. Hypothecation aims to signal that improved services or increased expenditure will require additional revenue from users or beneficiaries.

10. The increased reliance on Crown funding, and not user or beneficiary-pays funding, highlights the following issues with the revenue system:
  - 10.1. **funding shortfall:** We are not collecting enough funds from users and beneficiaries to pay for current and future transport projects, especially large projects, and are increasingly relying on the Crown to fund and finance the land transport system, including maintenance activities. The system relies primarily on current revenue to pay for projects as we go rather than alternative approaches.
  - 10.2. **inconsistency in cost allocation among road users:** The amount people pay for transport should be based on how much they use or impose costs on the network. Currently, many people pay an amount based on fuel consumption. There is the opportunity to allocate costs more consistently and reflect usage and impact (measured in vehicle weight and distance travelled).
  - 10.3. **tools do not exist or are not used:** There are better ways to charge people for their network use. The amount people pay now is the same everywhere at all times, which means we do not incentivise people to use the network in a way that reduces congestion and optimises network flow.
  - 10.4. **funding disconnect:** People contributing to the transport system cannot always see where their money is going or how it improves the network they benefit from and use. This gap needs to be bridged so people can see the impact of their contributions.
11. These challenges cannot be solved solely through revenue reform. Complementary solutions may also exist within the planning system and reform of investment settings. Efforts to find efficiencies and reduce costs have begun. However, broader work is necessary to address the root causes of the above issues. The actions outlined in this document represent a first step in addressing the above problems and reforming the system.
12. The following section summarises key tasks and deliverables to ensure coordination and keep the work focused on short and long-term delivery.

**Outline of tasks and deliverables to redesign and reform the system**

13. The work outlined in this action plan will be jointly led by the Ministry of Transport (MoT) and the NZ Transport Agency (NZTA), with input from other agencies (including the Infrastructure Commission) and other specialist or technical advisors as needed.

Action Area	Specific Action	Timeline	Accountable	Deliverable
Action One: <b>Increase existing charges</b>  (Immediate action)	Increase MVR fees by \$25 in 2025 and 2026 to fund GPS 2024.	In the coming months	MoT	MVR increased for 1 January 2025 and 2026.
	Increase FED and RUC to fund the GPS.	2026	MoT	Increases to FED and RUC from 2027.
	Consider options for ongoing increases to improve revenue sufficiency.	November 2025	MoT	Policy paper on options to set charges in a way that ensures financial sustainability.

Action Area	Specific Action	Timeline	Accountable	Deliverable
Action Two: <b>Progress Time of use charging</b>  (Short-term action)	Develop and pass legislation to enable time of use charging in New Zealand.	2024	MoT	New legislation to enable time of use charging in New Zealand.
Action Three: <b>Effective use of tolling</b>  (Short-term action)	Review current policy and legislative settings relating to tolling.	October 2024	MoT, NZTA	Policy paper to enable Cabinet to make final policy decisions to feed into the Transport Modernisation Amendment Bill.
	Review of tolling operations to identify cost efficiencies.	2024	NZTA	Provide the Minister of Transport with an update on the results of its review.
Action Four: <b>Exploring the full range of tools</b>  (Short/medium-term action)	Value capture tools are used to fund transport projects, and PPPs are used to deliver projects.	Ongoing	MHUD & Infrastructure Commission, MoT input	Provide updates to the Minister of Transport on progress.
Action Five: <b>Transition to road user charges</b>  (Long-term action)	Develop a transition plan, including system improvements, legislative changes, costs, and implementation details.	November 2024	MoT, NZTA	Transition plan; report back/policy paper to enable Cabinet to make decisions on next steps, including proposed changes to legislation.

**Objectives and principles to guide the reform of our land transport revenue system**

14. The principles guiding the redesign and reform are:
  - 14.1. **users and beneficiaries should cover the costs:** Those who use or benefit from the transport system should pay without passing costs to taxpayers. The system should reduce cross-subsidisation between users but provide transparency where cross-subsidisation does exist.
  - 14.2. **efficiency:** The system should collect revenue efficiently and cost-effectively. The system should optimise the use of the existing network to enhance network efficiency and defer the need for new investments.
  - 14.3. **ability to pay:** The system should consider the distributional impacts and ability to pay of all users and aim to minimise unfair burdens. Tools for addressing distributional concerns may exist beyond the land transport revenue system, for example in the broader tax-transfers system.
15. The objectives sought from our revenue system are:
  - 15.1. **revenue sufficiency ('enough funding')**: Raise sufficient revenue to improve and maintain the transport network, noting revenue sufficiency also requires exercising the investment lever and moderating expenditure based on anticipated revenue;

- 15.2. **ease of use:** Make reporting, viewing, and paying for road use quick and easy;
  - 15.3. **compliance:** Design the system to prevent evasion and fraud, by making it costly and difficult for users to avoid payment; and
  - 15.4. **user choice and competition:** Foster competition and innovation to provide users with better options and choices.
16. As part of this reform, we need to be open to enabling private sector involvement and innovation in the revenue system. This could include offering technological solutions for people to comply and pay for usage, especially as we transition the fleet to RUC and make greater use of tolling.

**I am proposing an action plan to redesign and reform our revenue system**

- 17. The proposed actions align with our goals and reflect commitments in coalition agreements and pre-election promises. They draw on successful precedents from other jurisdictions.
- 18. I plan to take a step-by-step approach, making gradual improvements to reform and redesign the system rather than trying to create a perfect, pre-defined future system at once. As technology advances, the current system will evolve and change over time. While some actions may not generate significant new revenue in the short term, they are first steps and lay the groundwork for future change and reform.

**Action one: Increase existing charges**

- 19. Increasing the rates of existing charges is an immediate measure to address the funding shortfall and fund GPS 2024, which Cabinet has already agreed.
- 20. Increasing the annual vehicle licence (MVR) fee from 2025, and FED and RUC rates from 2027 on an ongoing basis will raise revenue and reduce the need for Crown funding and financing to support transport investment. This is identified as a short-term action in the action plan because the earliest rate increase will occur in January 2025. However, other rate increases (particularly to FED and RUC) will happen later.
- 21. GPS 2024 includes FED and RUC rate increases of 17 percent in 2027, a 7 percent increase in 2028, and 4.5 percent in 2029. These are crucial to fund our priorities and enable the repayment of borrowing used to finance capital expenditure in recent years. GPS 2024 also commits to ongoing FED and RUC rate increases beyond the first three signalled increases, with approximately 4.5 percent annual increases from 2030. Depending on the timing of the fleet's transition to RUC, equivalent increases to RUC would substitute for the increases to FED.
- 22. Officials will explore legislative options and institutional arrangements to enable ongoing increases in FED, RUC and MVR in a way that removes the incentive to avoid politically challenging decisions. This could help ensure consistency in decision making across political cycles and provide ongoing revenue stability, enabling rates to increase in proportion to costs and investment requirements.
- 23. As mentioned with respect to action three about tolling, "Effective use of tolling", <sup>s 9(2)(f)(iv)</sup>

24. As an early part of the work leading up to GPS 2027, I will be requesting advice from my officials on complementary settings, such as funding assistance rates, which are not a revenue tool, but have significant implications for the level of revenue that needs to be raised.


**Action two: Progress time of use charging**

25. Travel times in our major cities are worse than in similarly sized Australian cities, according to the TomTom Traffic Index's average travel time per 10km metric. Progress on time of use charging is a short-term action. Time of use charging is not primarily a revenue tool. However, given it relies on charges and generates revenue, it is included in the action plan. It also defers the need for new investment, which therefore contributes to a financially sustainable land transport revenue system.
26. Internationally, time of use charging schemes have struggled to secure public acceptance. They have had difficulties primarily due to the lack of plausible alternatives, concern about equity inside and outside charged areas, a perception that it is only about raising revenue, and debate about the best use of revenues raised. Schemes that have gone ahead have generally attracted increased public support after implementation.
27. Implementing a time of use charging scheme in New Zealand will be a considerable challenge. It is not common practice internationally with relatively few successful schemes. Despite work to familiarise the public with time of use charging and advocacy of several groups, time of use charging will be a new concept for many New Zealanders. I am aware of the need to continue building understanding and acceptance.
28. Currently, we cannot charge based on location and time to mitigate congestion across the network. Legislation would be needed to enable time of use charging in New Zealand. Therefore, I want to use this parliamentary term to draw up a well-designed time of use charging scheme that people will accept. The design I am proposing envisages that charges would be limited to the level needed to keep traffic flowing. The total revenue and, therefore, the impact on the cost of living will likely be modest. However, the specific design of area schemes is yet to be determined.
29. I envision a strong central role in designing and implementing time of use charging schemes, and a level of independent oversight to ensure schemes remain focused on network productivity and not revenue generation. NZTA will work with local authorities to design schemes, which the Minister of Transport will approve. It is envisaged that work will be undertaken to engage the public, ensure safeguards and controls are in place, and sustain benefits over time.
30. I will bring a revised paper to Cabinet next month seeking approval to policy design that balances the need for consistency, centralised oversight, and local participation and input.

**Action three: Effective use of tolling**

31. Tolling is a short-term focus in the action plan. Tolling creates a direct link between the use of a road and payment, addressing the disconnect between those who benefit and those who contribute funds to our revenue system. Tolling also aligns with the user/beneficiary-pays principle, provides user choice, and can help signal what users are willing to pay for a new project. Although some tolling schemes (like

the Auckland Harbour Bridge and the Lyttelton Tunnel) have been successful in New Zealand, few new roads have been tolled in the past 40 years.

32. Tolling has mainly been used to fund or bring forward projects that are delayed or might not happen otherwise. Tolling can also be used in other ways, such as enabling road users to pay for better infrastructure. For example, road users may be willing to pay an additional amount to travel on a quality expressway rather than a standard single-carriageway. As such, tolling can provide a way to gauge what users are willing to pay for improved infrastructure. I have asked officials to develop some principles around tolling so it can be used more effectively, including to pay for enhanced infrastructure.
33. GPS 2024 lays the groundwork for more tolling by expecting NZTA to consider tolling for all new roads. Tolling is suitable for some projects but has modest revenue potential, primarily due to New Zealand's low traffic volumes. The modest revenue potential may also indicate the level to which users value the benefits of the toll road relative to the existing route. After deducting administration costs, our three current schemes generate \$24 million annually. This revenue does not pay for the maintenance or operating costs of the roads, which the National Land Transport Fund needs to meet. Generally, the costs of collecting revenue from tolling are higher than from alternative means.
34. High administrative costs and a lack of public acceptance hinder the widespread use of tolling and its potential revenue generation. To address the costs issue, NZTA has started a review of some of its tolling operations to find cost efficiencies and reduce administration expenses. One specific concern to me is the cost of tolling infrastructure,<sup>1</sup> including the overhead gantries currently used for the ANPR (automatic number plate camera) used to identify vehicles using the toll road.
35. In addition to developing some principles for tolling and reframing it as a way to pay for a higher level of service, I have asked that MoT undertake a review of tolling in conjunction with NZTA. s 9(2)(f)(iv)  


35.1. s 9(2)(f)(iv)  


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<sup>1</sup> ANPR cameras on large overhead walkable gantries are used on the existing toll roads in New Zealand. Other options are poles or non-walkable gantries. It normally takes a number of years to repay the tolling infrastructure costs from the toll revenue.

s 9(2)(f)(iv)

35.2. section 9(2)(f)(iv)

35.3. **approach for adjusting toll rates:** There may be merit in reviewing existing arrangements, including whether there is a case for adjusting toll rates once a road has opened. For example, the public may be more willing to pay once they have experienced the benefit of an improved or enhanced road.

35.4. **options to support the private sector's role in tolling:** This will include the potential for embedding tolling within PPP arrangements.

36. Other issues may emerge from the review of tolling. I will report back on this work to Cabinet in October 2024. I anticipate that any proposals for legislative change will be considered for potential inclusion in a proposed Transport Modernisation Amendment Bill.

**Action four: Exploring the full range of tools**

37. With our primary revenue sources under pressure and local government funding constraints, we need to explore all sources, delivery methods, and opportunities to defer expenditure. To date, the default alternative source of funding has been relying on the Crown, which is unsustainable. There may be some cases where it is appropriate to use alternative tools. When we use alternative tools, such as value capture and PPPs, we must clearly articulate the justification and rationale.

38. Transport projects can have benefits beyond direct users. Value capture tools, for example, allow those near a project to help pay for the project. To date, work has highlighted the potential for value capture and the operational complexities of implementing these mechanisms, including that only a modest amount of revenue is likely to be raised.

39. As part of the 'Going for Housing Growth' initiative, the Ministry of Housing and Urban Development (MHUD) is leading work on a value capture framework and undertaking work to improve the functioning of the Infrastructure Funding and Financing levy. Given transport infrastructure's key role in enabling new housing, I have instructed transport officials to participate in this work. As some tools also sit at a local government level, the Department of Internal Affairs will also need to contribute to this work.

40. To date, PPPs have been used with varying degrees of success and have delivered essential lessons. Roading projects can be riskier and more complex than other PPPs, primarily due to ground and environmental factors, including weather and storm damage. PPPs are an alternative model for procuring a project, not a funding tool. PPPs do not solve transport funding or revenue pressures but can help spread repayment.

41. I have asked transport officials to consider PPPs for some of our planned road projects to encourage innovation and private sector participation. Different PPP



payment models, s 9(2)(f)(iv) , will be considered. s 9(2)(f)(iv)

**Action five: Transitioning the fleet to road user charges**

42. Transitioning the entire fleet to RUC is a complex and large-scale work programme requiring careful planning and phasing, making it a longer-term focus. I am targeting 1 April 2027 as the transition date from FED to RUC.
43. The transition to RUC is, to some degree, inevitable, driven to date by the increasing preference for diesel vehicles and the future adoption of EVs. The Government has already introduced RUC for EVs, which means the uptake of EVs does not pose an immediate or significant threat to our land transport revenue system.
44. Unlike the current excise system, RUC ensures that costs are consistently allocated to road users based on their actual usage. Currently, motorists are charged different amounts for travelling the same distance depending on their vehicle type and fuel efficiency, affecting a large portion of the population. In contrast, regardless of fuel efficiency, RUC would charge all motorists the same amount for the distance travelled. For example, under RUC, both a Toyota Estima and a Toyota Corolla would pay the same amount (\$836) for travelling 11,000 km, unlike the current system where the Estima pays over \$1,150 and the Corolla pays \$442.
45. While transitioning to RUC may generate additional revenue (estimated at around \$200 million in 2035), higher administrative and enforcement costs and potential non-compliance rates may offset any extra revenue. Therefore, the objective in transitioning the fleet should be about aligning charges with usage rather than raising revenue. To successfully transition the fleet, substantial improvements to the largely manual RUC system will likely be required. Transitioning to the current RUC system in the short term may not be practicable without risking non-compliance and encountering user acceptability challenges.
46. I have requested that officials investigate various transition options for the fleetwide transition to RUC. I envisage road users would have a choice between two options:
  - 46.1. **odometer-based RUC:** Work is underway to modernise and improve the existing NZTA odometer-based RUC system, making it more user-friendly and capable of accommodating a larger number of vehicles; and
  - 46.2. **electronic RUC (eRUC):** We are exploring regulatory reforms to the eRUC framework, aiming to reduce costs while maintaining individual privacy. This may involve enabling less costly devices and requirements, making eRUC a more viable option for a wider range of users.
47. Currently, eRUC providers primarily serve large commercial fleets of heavy vehicles. Few private motorists use eRUC due to its relatively high cost compared to odometer-based RUC. To ensure a genuine choice between options, improvements will be necessary for both systems when the fleet transitions to RUC.
48. I intend to report back on a transition plan for the fleet (which could include a staged approach) in November 2024, with details on the first steps that are ready to be finalised for initiating the transition.

### **Pathway to reforming and resolving critical issues with our revenue system**

49. This revenue action plan represents a significant program, which will change how New Zealanders pay for road use in the long term. In the short term, the plan seeks to adjust existing charges, advance time of use charging, and explore more effective tolling. While this work is underway, we can consider opportunities to shift to the RUC system.
50. This action plan is the first step in addressing key pressures and problems in our revenue system. It outlines gradual improvements to reform and redesign the current system rather than attempting to create an entirely new, perfect, pre-defined future system. As technology advances, the current system will evolve. While some actions may not generate significant new revenue in the short term, they are essential first steps and lay the groundwork for future change and reform.
51. Acknowledging that road users could interpret the action plan negatively is crucial. Therefore, communication will be essential, focusing on how and why road users should pay for road use. Emphasising the benefits of a hypothecated funding system, as outlined earlier in the paper, is also an important part of any communications work.
52. I am seeking Cabinet's endorsement of the action plan outlined in this paper, with further decisions to come in October and November 2024 once further policy work has been undertaken. The final policy decisions will seek approval for legislative reform to progress (subject to further work) in 2025.

### **Financial Implications**

53. There are no immediate financial implications arising from the actions in this paper and I expect the policy work involved to be met from within baselines. However, decisions made about funding tools now will affect the funding available for the next Government Policy Statement on land transport.
54. Transitioning the vehicle fleet to RUC (action five) will be a significant work programme that is unlikely to be funded by the existing cost recovery model. NZTA's RUC collector functions are funded by administration fees, which are set on a cost-recovery basis to cover the ongoing administration of the RUC system. However, this funding is insufficient to support a significant investment in improving the system. I propose to seek funding through Budget 2025 for system upgrades and improvement activities to facilitate a fleetwide transition to RUC.

### **Legislative Implications**

55. This paper does not have any immediate legislative implications. However, subject to additional decisions by Cabinet later in the year, I plan to seek permission to introduce and pass primary legislation through all stages in 2025 to implement the transition to road user charges and any changes to tolling arrangements.
56. Critical pieces of legislation that will likely need to be amended include the Customs and Excise Act 2018, the Land Transport Management Act 2003, and the Road User Charges Act 2012.

## Impact Analysis

### Regulatory Impact Statement

57. This paper has no regulatory proposals, so Cabinet's impact analysis requirements do not apply. Regulatory impact analysis will be undertaken as part of future policy decisions.

### Climate Implications of Policy Assessment

58. No proposals meet the relevant criteria, so a Climate Implications of Policy Assessment is not required.

### Population Implications

59. No direct or immediate population implications arise from the proposals in this paper. However, policy decisions regarding many aspects of the work programme could have a significant impact on specific population groups, including Pacific peoples, older workers, low-income individuals, and people with disabilities. Future work will consider these implications and include engagement with the relevant agencies.

### Human Rights

60. The Concluding Observations (recommendations) on New Zealand's implementation of the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD) are relevant to the action plan (CRPD/C/NZL/CO/2-3 refers). The Committee raised concerns about the "continued barriers experienced by persons with disabilities in accessing the physical environment, transportation, information and communications, including information and communications technologies and systems". This will be considered as part of the future work and relevant responses included, including engagement with Disabled People's Organisations in upcoming policy processes.

### Use of external resources

61. The Transport Revenue Expert Advisory Group contributed to the preparation of this paper and Action Plan, providing valuable insights and substantive comments.
62. Now that the work programme is shaped, I propose refreshing the way we seek input from external advisors and stakeholders. Rather than continuing the current Advisory Group, the Ministry will engage specialists or technical advisors as required to inform policy development.
63. To ensure that future proposals are well-informed, practical, and effective, I have requested the Ministry establish a stakeholder reference group. This group will bring together expertise from across the transport sector, ensuring industry views help to shape the policy development process.

### Consultation

64. The Treasury, Inland Revenue Department, the Ministry of Business, Innovation and Employment (Energy Markets), the New Zealand Customs Service, the New Zealand Police, the Ministry of Housing and Urban Development, the Department of Internal Affairs, the Ministry for Primary Industries (Rural Communities), the Ministry for the Environment, the Ministry of Social Development, the Ministry for Ethnic Communities, the Ministry for Women, the Ministry for Pacific Peoples, the Ministry of Youth Development, Whaikaha – Ministry of Disabled People, Te Arawhiti, Te Puni

Kōkiri, and the Infrastructure Commission were consulted on this paper. The Department of Prime Minister and Cabinet was informed.

### Communications

65. Following final decisions by Cabinet, I intend to announce the Land Transport Revenue Action Plan.

### Proactive Release

66. This Cabinet paper (and associated minutes) will be released within 30 business days of final decisions being confirmed by Cabinet, subject to redactions as appropriate under the Official Information Act 1982.

### Recommendations

The Minister of Transport recommends that the Committee:

- 1 **note** there are pressures in our land transport revenue system including:
  - 1.1 a funding shortfall, especially for large projects and investment ambitions exceeding revenue
  - 1.2 inconsistent cost allocation among road users
  - 1.3 tools that do exist are not utilised or underutilised
  - 1.4 a disconnect between those paying and those benefiting;
- 2 **agree** to the following principles to inform the redesign and reform of the land transport revenue system:
  - 2.1 user/beneficiary-pays: users and beneficiaries should cover costs
  - 2.2 efficiency: system should collect revenue efficiently and optimise network use
  - 2.3 ability to pay: users' and beneficiaries' ability to pay and distributional impacts;
- 3 **agree** that the following objectives be prioritised in designing and reforming the system:
  - 3.1 revenue sufficiency
  - 3.2 ease of use
  - 3.3 compliance
  - 3.4 user choice and competition;
- 4 **agree** that the plan will include the following actions:
  - 4.1 continue planned increases to annual motor vehicle licence fees, fuel excise duty, and road user charges to fund the Government Policy Statement on land transport 2024 (GPS 2024)

- 4.2 progress time of use charging to mitigate congestion and optimise network use
- 4.3 enable the more effective use of tolling, including as a way to pay for higher service levels
- 4.4 explore the use of value capture, financing, and procurement tools
- 4.5 transition all light vehicles from fuel excise to the road user charges system;

*Time of use charging*

- 5 **note** that the Minister of Transport will soon present a paper to Cabinet on time of use charging;

*Tolling work programme*

- 6 **note** that GPS 2024 includes an expectation that the New Zealand Transport Agency (NZTA) consider tolling all new roads;
- 7 **note** that while tolling has limited revenue potential, there is an opportunity to improve its performance through legislative reform, operational changes, and project selection;

8 section 9(2)(f)(iv)

9 section 9(2)(f)(iv)

*Exploring the full range of tools*

- 10 **note** that the Ministry of Transport and the NZTA will contribute to the work led by the Going for Housing Growth agencies on value capture;
- 11 **note** that the Ministry of Transport and the NZTA will engage with the Infrastructure Commission on work to enable PPPs for road projects;

*Fleetwide transition to road user charges*

- 12 **agree** to work to transition all light vehicles from fuel excise to the road user charges system;
- 13 **note** that 1 April 2027 is the target transition date for initiating the transition to road user charges;
- 14 **invite** the Minister of Transport to report back to Cabinet by November 2024 with an update, including seeking decisions on a transition plan for the fleetwide transition to road user charges and potentially a staged approach;

*Communications and sector engagement*

- 15 **agree** the Minister of Transport will announce the action plan;
- 16 **agree** to disestablish the Transport Revenue Expert Advisory Group;
- 17 **note** that the Ministry of Transport will establish a stakeholder reference group and contract external expert advisory services where necessary to ensure robust progress towards the actions.

Authorised for lodgement

Hon Simeon Brown  
Minister of Transport

Proactively released by the  
Ministry of Transport



# Cabinet

## Minute of Decision

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*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

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### Report of the Cabinet Business Committee: Period Ended 5 July 2024

On 8 July 2024, Cabinet made the following decisions on the work of the Cabinet Business Committee for the period ended 5 July 2024:

Out of Scope



CBC-24-MIN-0063 **Land Transport Revenue Action Plan**  
Portfolio: Transport

CONFIRMED

Out of Scope



Out of Scope



Rachel Hayward  
Secretary of the Cabinet

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Ministry of Transport





# Cabinet Business Committee

## Minute of Decision

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### Land Transport Revenue Action Plan

**Portfolio**                      **Transport**

On 1 July 2024, the Cabinet Business Committee:

- 1        **noted** that there are pressures in the land transport revenue system, including:
  - 1.1      a funding shortfall, especially for large projects and investment ambitions exceeding revenue;
  - 1.2      inconsistent cost allocation among road users;
  - 1.3      tools that do exist are not utilised or underutilised;
  - 1.4      a disconnect between those paying and those benefiting;
- 2        **agreed** to the following principles to inform the redesign and reform of the land transport revenue system:
  - 2.1      user/beneficiary-pays: users and beneficiaries should cover costs;
  - 2.2      efficiency: the system should collect revenue efficiently and optimise network use;
  - 2.3      ability to pay: users' and beneficiaries' ability to pay and distributional impacts;
- 3        **agreed** that the following objectives be prioritised in designing and reforming the system:
  - 3.1      revenue sufficiency;
  - 3.2      ease of use;
  - 3.3      compliance;
  - 3.4      user choice and competition;
- 4        **agreed** that the plan will include the following actions:
  - 4.1      continue planned increases to annual motor vehicle licence fees, fuel excise duty, and road user charges to fund the Government Policy Statement on land transport 2024 (GPS 2024);
  - 4.2      progress time of use charging to mitigate congestion and optimise network use;

- 4.3 enable the more effective use of tolling, including as a way to pay for higher service levels;
- 4.4 explore the use of value capture, financing, and procurement tools;
- 4.5 transition all light vehicles from fuel excise to the road user charges system;

### Time of use charging

- 5 **noted** that the Minister of Transport will submit a paper to Cabinet on time of use charging;

### Tolling work programme

- 6 **noted** that GPS 2024 includes an expectation that the New Zealand Transport Agency (NZTA) consider tolling all new roads;
- 7 **noted** that while tolling has limited revenue potential, there is an opportunity to improve its performance through legislative reform, operational changes, and project selection;

8 section 9(2)(f)(iv)

9 s 9(2)(f)(iv)

### Exploring the full range of tools

- 10 **noted** that the Ministry of Transport and the NZTA will contribute to the work led by the Going for Housing Growth agencies on value capture;
- 11 **noted** that the Ministry of Transport and the NZTA will engage with the Infrastructure Commission on work to enable Public Private Partnerships for road projects;

### Fleetwide transition to road user charges

- 12 **agreed** to work to transition all light vehicles from fuel excise to the road user charges system;
- 13 **noted** that 1 April 2027 is the target transition date for initiating the transition to road user charges;
- 14 **invited** the Minister of Transport to report back to the Cabinet Economic Development Committee by November 2024 with an update, including seeking decisions on a transition plan for the fleetwide transition to road user charges and potentially a staged approach;

### Communications and sector engagement

- 15 **agreed** that the Minister of Transport will announce the action plan;
- 16 **agreed** to disestablish the Transport Revenue Expert Advisory Group;

- 17 **noted** that the Ministry of Transport will establish a stakeholder reference group and contract external expert advisory services where necessary to ensure robust progress towards the actions.

Janine Harvey  
Committee Secretary

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**Present:**

Rt Hon Christopher Luxon (Chair)  
Hon David Seymour  
Hon Nicola Willis  
Hon Chris Bishop  
Hon Shane Jones  
Hon Dr Shane Reti  
Hon Simeon Brown  
Hon Erica Stanford  
Hon Paul Goldsmith  
Hon Mark Mitchell  
Hon Simon Watts  
Hon Casey Costello  
Hon Chris Penk  
Hon Andrew Hoggard

**Officials present from:**

Department of the Prime Minister and Cabinet

Proactively released by the  
Ministry of Transport