

Road User Charges Review Group

Terms of Reference

Purpose

1. These terms of reference are for an independent review of the Road User Charges System that will:
 - examine the way in which the Ministry of Transport's cost allocation model apportions costs; and
 - consider the merits of collecting revenue from diesel vehicles by way of road user charges as compared to potential alternative methods.
2. This review has been initiated to consider the basis on which roading costs and other costs of the National Land Transport Programme (NLTP) should be allocated and collected and to ensure that the charging system is fair, efficient and based on up-to-date information.

Review Objectives

3. The review will aim to ensure that the cost allocation model and charging mechanisms meet the following objectives:
 - economic efficiency
 - cost recovery
 - equity.
4. The findings of the review must be consistent with the New Zealand Transport Strategy 2008.

Scope

5. The review will provide recommendations for possible changes to policy, processes, or legislation.

6. The review will look at the following issues:

Ministry of Transport Cost Allocation Model

- the appropriateness of the allocation of the various components of roading costs and other costs of the NLTP – including:
 - the relationship between vehicle use and NLTP expenditure, and in particular, the power relationship between axle weight and road wear and the relationship between various axle configurations and road wear; and
 - any other matter relevant to these costs.

Alternative Charging Regimes

- the merits of any alternative charging mechanism or regime (including without limitation diesel taxes);

Associated Costs

- the nature and extent of the costs associated with the current systems for setting and administering road user charges (including matters relating to the impacts of the road user charges scale on the efficiency of vehicles, enforcement, avoidance and evasion, administrative and compliance costs) together with any improvements that might be made to reduce those costs;
- compare the costs associated with the current system against the costs associated with any alternative charging regime considered by the review group; and

Process for changing levels of charges

- the process for reviewing and adjusting charges, including consultation and notice of changes.

Transition Regime

7. Where the review group makes recommendations for change to the way that costs are allocated across different road users it will also comment on an equitable and efficient way to transition to a different allocation or charging mechanism. Transition should consider the merits of a gradual adjustment to new cost allocations so as to reduce the impact on road users and allow time for changes to be factored into their planning and road use decision making.

Matters excluded from Review

8. This review is about methods of raising revenue to fund roading costs and other costs of the NLTP. This inevitably has links to the way in which land transport activities are funded, but wider questions about transport funding will be addressed through a separate review. In particular, the following matters are not within the scope of this review:
- the activities that are funded by the NLTP;
 - financial assistance rates for local authorities in respect of the land transport activities that they undertake;
 - alternatives to rating as a source of land transport funding; and
 - matters relating to other costs not currently charged for through the National Land Transport Fund (eg externalities).

Future Transport Developments

9. While not considering the issues in para 8 above, the review group should consider likely future developments in areas such as technologies enabling new charging mechanisms, trends in use of transport fuels and transport technology generally.

Review Group

10. The review will be undertaken by an independent group appointed to advise the Minister of Transport. Members will be appointed by the Minister of Transport on the basis of their skills, knowledge and experience, rather than as representatives of sector groups.
11. It is envisaged that the review group will comprise between three and five members, having between them the following skills and experience:
- knowledge and experience of the transport sector (particularly in relation to roads and funding systems);
 - knowledge and experience of the business sector;
 - understanding of economics;
 - experience in the development of government policy and knowledge of regulatory/legislative frameworks; and
 - one member will be appointed as chair, primarily on the basis of their proven skills in leading and facilitating the work of a review of this nature.

Review Process

12. The review group will determine its own procedures and approach to developing a report. There will be ability to seek independent expert input, as well as to canvass the views of key interest groups and stakeholders.
13. An independent contractor will be engaged as project manager, reporting to the group.
14. Wayne Donnelly will act as Review Adviser.
15. The Ministry of Transport will provide general support to the review, including provision of accommodation etc.
16. The review group will have a budget for consultants to enable it to commission reports on the engineering, economic, and other aspects of the cost allocation model and charging mechanisms.
17. The review will report to the Minister of Transport by the end of March 2009 with its findings regarding the current cost allocation and charging system and any recommendations for possible changes to these.
18. Final decisions about any changes will be determined by Cabinet on the recommendation of the Minister for Transport. The Minister may also take into consideration any other advice and material in making his or her recommendations.