

Purpose of report

1. To provide you with information on the cost of extending the current road user charges (RUC) exemption for electric vehicles out to 2025 for light vehicles, and the cost if a RUC exemption was applied to electric heavy vehicles.

Background

2. The Ministry for Transport (the Ministry) has previously provided you with advice on the possible impact of extending the RUC exemption for electric vehicles (EVs) as part of the package for your consideration.
3. You met with officials on Monday 9 November 2015 and discussed EVs, specifically requesting information on the cost of extending the RUC exemption to 2025 for light vehicles. You also asked for information on the cost of a similar RUC exemption being applied to heavy vehicles.

The cost of extending the existing RUC exemption to 2025

4. As per your request, modelling to calculate the costs of extending RUC to 2025 for EVs has been completed.
5. The table below shows the foregone revenue if the current EV RUC exemption were to be extended to 2025 for light vehicles.

Year	2015	2020	2025
Cumulative EV sales (new and used in ports)	528	49,086	230,468
Foregone annual RUC \$m	0.294	27.390	128.601
Foregone cumulative RUC \$m	0.294	52.758	462.084

6. The Ministry is having the above numbers independently reviewed by Infometrics. However, this could not be completed for this briefing. We will advise you if there are any changes as a result of that review.

Limiting RUC to a five-year period for new vehicles

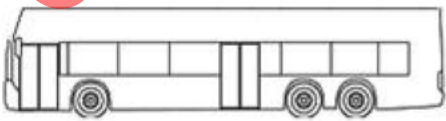
7. We also calculated the foregone revenue if a RUC exemption was applied to new vehicles for a five-year period. This has a cascading effect as each new year comes into the calculation and after five years the exemption would cease for the initial EVs. This option would require legislative change.
8. This five-year period calculation is based on the modelling for the existing RUC exemption that is due to expire in 2020 for light vehicles.

9. The following table shows the foregone revenue of a five-year exemption for new light vehicles:


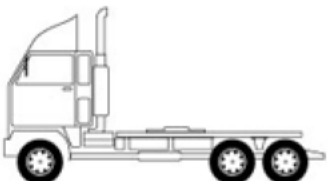
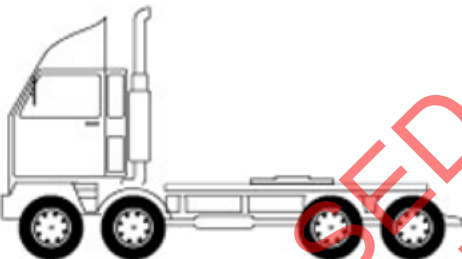
Year	2015	2020	2025
Cumulative EV sales (new and used imports)	528	43,000	202,000
Foregone annual RUC based on 5 year exemption (excludes used imports) \$m	0.248	12.6	69.5
Foregone accumulated RUC (excludes used imports) \$m	0.248	22.1	246.0


Application of a RUC exemption for electric heavy vehicles

10. There are currently 57 electric trolley buses operating on Wellington roads¹. These vehicles account for about two percent of all distance travelled by 3-axle buses. If electric trolley buses were exempt from RUC the estimated revenue foregone would be about \$350,000 per annum.
11. For other heavy vehicle types, we do not have reliable data to estimate the number of heavy electric or hybrid vehicles. We believe this number is very small.
12. Based on current levels of RUC revenue, a one percent uptake of electric vehicles across the heavy vehicle fleet would result in revenue loss of about \$13 million per annum.
13. We have been able to estimate the level of revenue loss for a handful of different RUC vehicle types assuming one percent of relevant vehicles are electric powered.
14. There are approximately 150,000 heavy vehicles in our fleet. These consist of a mix of different types and sizes of vehicles with some being powered and others unpowered (i.e. trailers).
15. The table below shows figures for some of the major heavy vehicle classes and the estimated annual revenue loss if a RUC exemption was applied:

RUC vehicle type	Weight bands	Estimated revenue loss at 1 percent of electric heavy vehicles per annum - \$m
Type 311 – Powered passenger service vehicles with three axles 		0.350 NB - the revenue loss for electric Type 311 buses currently constitute around 2% of all total distance travelled by these buses
Type 2 – Powered vehicles with one single-tyred spaced axle and one twin-	Not more than 6 tonnes	0.278
	More than 6 tonnes and	0.168

¹ Greater Wellington Regional Council will be retiring the trolley buses from 2017.

tired spaced axle 	not more than 9 tonnes More than 9 tonnes and not more than 12 tonnes	 0.268
Type 6 – Powered vehicles with three axles (50MAX capable) 	More than 18 tonnes	2.000
Type 14 – Powered vehicles with four axles (50MAX capable) 	All RUC weights	1.800


 Senior Adviser

Withheld under section 9(2)(a) of the
 Official Information Act 1982

Erin Wynne
 Manager, People and Environment

MINISTER'S SIGNATURE:

DATE: