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TERMS OF REFERENCE FOR TRANSPORT REVENUE EXPERT ADVISORY GROUP

Context

Improving the land transport system in New Zealand is a priority for the Government. The National-ACT coalition agreement includes a commitment to implement time of use charging. To achieve these goals, reviewing the land transport revenue system is essential.

Historically, New Zealand has been a leader in land transport revenue, pioneering the implementation of distance and weight-based road user charges for heavy vehicles. Despite past innovations, the funding required to improve the system has exceeded what is collected from existing revenue tools. This has led to increased reliance on the Crown for financial support, and underinvestment in infrastructure.

In response to these issues, the Government has reset the approach to transport investment as outlined in the draft Government Policy Statement on land transport 2024, which requires associated improvements to the revenue system.

Given the strategic importance and systemic implications of this work, it is crucial to ensure that Ministers receive well-tested and robust advice. To support this, the Government has agreed to establish the Transport Revenue Expert Advisory Group (the Advisory Group).

Role of the Advisory Group

The Advisory Group will be hosted and supported by the Ministry of Transport (the Ministry).

The Advisory Group's purpose will be to provide specialist and technical expertise to the Ministry, the New Zealand Transport Agency (NZTA) and the Minister, to ensure that the Ministry's advice is provided to the highest standard.

The focus of the Advisory Group will be to inform the review the policy settings of the current system and provide recommendations for improvements to the land transport revenue system including:

- transitioning the vehicle fleet from excise duty to a system of distance-based charging
- introducing time of use charging
- reforming road tolling settings
- exploring the role for a range of alternative funding tools, such as value capture

The Advisory Group will provide advice on the design of land transport revenue tools to achieve an effective, efficient, and safe land transport system in the public interest. Its expertise will support ensuring effective approaches to policy development, legislative design, and public engagement.

Draft objectives of review of the land transport revenue system

- Ensure revenue is sufficient to meet Government's objectives for the land transport funding system, including improving the capacity to finance capital spending.
- Ensure the financial sustainability of the revenue system.
- Improve the fairness of the system.

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- Improve the economic efficiency of the system (productive, allocative and dynamic).

The Advisory Group will meet at least monthly. It may participate in meetings and workshops with the Ministry on key work items and may be asked to review or provide comments on policy papers.

The Ministry will provide the Advisory Group with status updates on the progress of advice and policy development as required. The Advisory Group may also produce short reports or papers with their advice.

Advisory Group members are solely appointed in an advisory capacity. The policy, regulations, and legislation to deliver the revenue work programme will ultimately reflect the Government's views and positions, and not those of individual Advisory Group members.

Membership

The Advisory Group will comprise two members (as at May 2024):

- Scott Wilson and
- Barney Irvine

Scott Wilson will chair the Advisory Group. The Ministry will provide secretariat and administrative support to the Advisory Group. From time to time, the Advisory Group may need to appoint a member to serve as chair for meetings.

Should an Advisory Group member withdraw from the group, the Minister may choose to appoint one or more new members to replace them.

All members have completed a conflicts of interest declaration and background checks (including criminal records check), to the satisfaction of the Ministry. All actual or perceived conflicts of interest will be lodged with the Ministry. In the event of a potential conflict, the Ministry will determine how best to manage it.

The Minister of Transport, in consultation with the Minister of Finance and coalition party leaders, may appoint additional members to the Advisory Group as necessary.

Deliverables

The Advisory Group will not have specific deliverables, but instead be expected to provide on-going review and advice primarily to Ministers which will be considered in conjunction with advice from the Ministry and NZTA. The Advisory Group may also provide advice to the Ministry and NZTA, particularly from a strategic perspective.

Ideas and analysis from the group will inform the development of Government land transport revenue policy. The Minister of Transport may commission the Advisory Group to provide technical analysis or advice on a specific topic, review advice or analysis, or undertake other work as required.

The Advisory Group may also provide independent commentary or advice to the Minister of Transport on advice provided by the Ministry.

The Advisory Group may meet with the Minister on an ad hoc basis on specific matters, at the request of either the Advisory Group or the Minister.

Decision making

The Advisory Group will be an advisory body only and will not have decision making powers. Any recommendations of findings will not be binding on the Government.

Members will not be required to reach consensus on any issues raised. The Advisory Group may choose to provide advice to the Ministry or the Minister either as individual members, or as a collective.

Expectations

Advisory Group members shall:

- Prepare for, and attend, each meeting unless extenuating circumstances provide otherwise.
- Respect confidentiality of specific topics discussed at the meeting, including as requested by other members.
- Draft reports and comment on reports drafted by other members presented to the Advisory Group.
- Declare any conflict of interest or potential conflicts of interest that may arise.
- Treat commissions from the Ministry or Minister as a high priority to be completed in a timely manner.
- Work collaboratively with the Ministry to provide the best quality advice to the Minister.

Officials¹ shall:

- Organise the meetings and provide administrative support.
- Maintain an Advisory Group member conflicts of interest log and work with members to manage any conflicts.
- Draft the agenda and circulate it with the Advisory Group members at least three working days prior to each meeting.
- Provide updates to the Advisory Group to facilitate their involvement in the agreed work programme.
- Be responsible for ensuring accountability, record-keeping and that official information requirements are met.

Duration

The Advisory Group will be established in May 2024. The tenure of the group is subject to review by the Minister of Transport, who retains the authority to extend its duration or determine an end date as deemed necessary.

Other matters

Confidentiality and information sharing

¹ Ministry of Transport to lead, NZTA and the Treasury to support where necessary.

- The Advisory Group members should assume that all information presented to the group, whether written or in oral form, is confidential and may not be made public.
- If there is a desire to release the information, Officials will seek agreement from anyone who supplied confidential information for confidentiality to be waived.
- Where information is already in the public domain (through no fault of a member or observer), the confidentiality requirements do not apply to that information.
- Members and observers must comply with the requirements of the Privacy Act 2020 and keep information about identifiable individuals confidential.
- All information provided to the Advisory Group will be treated as official information under the Official Information Act 1982 and, subject to the requirements of that Act, may be released to the public if there are no grounds for withholding it.

Media and public forums

- Advisory Group members may identify themselves as members of the Advisory Group.
- An Advisory Group member may not comment on the business of the Advisory Group.

Conditions of Appointment

- Each member is appointed by the Minister. The term of service and reappointments are made for a duration at the discretion of the Minister.
- A member may resign from the Advisory Group by informing the Minister in writing.
- The Minister can review and amend these Terms of Reference unreservedly.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

22 May 2024

TRANSPORT REVENUE EXPERT ADVISORY GROUP – Summary note to Minister of Transport

Draft Cabinet Paper - Land Transport Revenue Action Plan

Background

On 20 May 2024, the Ministry of Transport (“the Ministry”) supplied to the Transport Revenue Expert Advisory Group (“TREAG”) its draft cabinet paper on the Land Transport Revenue Action Plan. Both members of the TREAG read the paper and exchanged initial comments, then discussed via Microsoft Teams their response to the draft paper. An eight-page note was prepared and agreed by the TREAG and sent to the Ministry on 21 May 2024, followed by a telephone discussion between Scott Wilson and Matthew Skinner about the main points of the note. The purpose of this summary note is to inform the Minister of the TREAG’s key conclusions in relation to the draft cabinet paper and proposed actions.

Main conclusions

The paper needs substantial rework. It should be restructured to focus on objectives, propose principles to guide reforms, pressures/issues with the status quo, the “case for change” for the five reform elements and the next steps (including report backs on those elements).

Of the five elements identified (Fleetwide Transition to RUC, reforming tolling, time-of-use charging, using the full range of tools and adjusting existing charges), and noting that no content was provided for time-of-use charging (hence it is not included), three appear to be reasonably well developed in the draft paper (tolls, the full range of tools and adjusting existing charges). There remain some key gaps that need addressing, but this does not seem likely to be a major issue. The draft Cabinet Paper could be drafted to indicate significant progress can be made relatively quickly on these three reform elements, and on time-of-use charging, but to require further report-back on the work programme and key issues in the Fleetwide Transition to RUC. This can demonstrate a series of actions on each of those elements that is achievable in the short-medium term, providing sufficient time to undertake necessary policy development work on the transition to RUC.

The section on the Fleetwide Transition to RUC still requires substantial work – it does not address critical issues that we expect Cabinet will want to see resolved as part of any “action plan”. Notably, there is an absence of any mention of a transition plan or the intention to develop one, and ambiguous wording which raises more questions than it answers about the direction being taken in reform. In its current form, it does not appear to have a clear work programme. Although two appropriate principles of reform are identified (market and technology led), there is insufficient detail, or let alone context about the cited “implementation plan” of NZTA to give confidence that

key issues around how the current system works for light vehicle owners are to be addressed. With an apparent lack of clear principles to guide this, it is difficult to have confidence in the approach being taken.

Given this element of reform is substantially more complex than all of the other elements combined, it seems more appropriate for this section to note that a programme of work to progress this policy is under development. It may note some of the key issues that the programme of work will address, and that there will be a report-back on a later date about the progress. Critically, it should highlight that the details of the “end-state” do not need to be decided now, but that principles should guide the next steps towards it.

The paper has the appearance of being led by solutions, rather than addressing problems. There is a considerable risk that this is being led by operational imperatives identified in isolation, rather than a strategic level SWOT analysis of the current RUC system. It appears to ignore some major issues. There is, for example, no data on current light RUC non-compliance. This is a potentially enormous risk for the fleetwide transition and the claim in this paper that the transition will “generate marginal additional revenue” seems difficult to reconcile with this.

Other key points

The TREAG also wishes to highlight the following points:

- Objectives are stated as financial sustainability and fairness. “Improving productivity” should be another objective, as this is consistent with the GPS and the wider government policy agenda, as well as the greatest benefit of some of the reforms (e.g., time-of-use charging).
- Objectives should also include “enabling greater use of financing of capital projects”, rather than reliance on the PAYGO model, which has long been recognised as a constraint on capital funding. This supports the objective of shifting towards a utility model.
- Some underlying principles for designing reforms should be agreed which could guide officials. This can help policy development, but also communications with the public. Recommended principles include:
 - Sufficiency (enough revenue generated to meet spending objectives);
 - User pays;
 - Ease of understanding;
 - Clear objectives (for each reform measure);
 - Clear benefits to users;
 - Ease of use;
 - Difficulty to evade;
 - Cost effectiveness;
 - Flexibility;
 - Scalability;
 - User choice (by technology and service provider); and
 - Protection of privacy.
- Problems with the status quo should be clearly listed, and should include:
 - Insufficient revenues/capacity to fund capital spending
 - Owners of differently fuelled light vehicles pay different amounts to use the network

- Long term unsustainability of fuel excise duty
- Congestion is unlikely to be resolved by supply side measures alone
- Lack of flexibility and scalability of existing tools
- Insufficient leveraging of some existing tools (notably tolling)
- Poor connection between what users pay to use the roads and those who benefit from spending in the National Land Transport Fund.
- There are no initiatives to enable greater private sector involvement in the provision of RUC, which is unsurprising as there is no indication of the development of a programme of work, or identification of the issues needing to be address in the Fleetwide Transition to RUC
- There is mention of a NZTA “implementation plan” around RUC, but insufficient description of what it is, what issues it seeks to address in relation to the Government’s policy objectives.
- There is no data provided to explain any of the issues, such as the differences in what vehicle owners pay, or around RUC compliance or enforcement. Given the latter is a critical issue in moving away from fuel duty, it has little mention at all.
- Description of the proposed measures to reform tolling is unclear, and there is no description of the likely scale of impact of reforming tolling on revenues and ability to support financing/funding of major projects. There is nothing about reforming the process to approve or regulate newly tolled roads.
- No mention of the review of local government funding tools, which are an integral part of the system.
- There is little description of the claimed “long term vision” this needs to be clarified and may be guided by more comprehensive objectives and guiding principles.
- Questions are likely to be asked about how a revenue system which raises considerable funds cannot fund its own upgrades, noting the amount NZTA charges in fees for relatively simple transactions appears disproportionate.

Proposed actions

It was recommended that the Ministry restructure the Cabinet Paper as described, focusing on the objectives noted, principles to guide reform, issues with the status quo and the case for advancing the five policy measures proposed. Of the five policy measures, a further report back will be needed on the Fleetwide Transition to RUC as that work programme does not yet appear to have been finalised, but the key elements of the other four measures are sufficiently well developed to be refined further in the paper.