

## Proactive Release

This document is proactively released by Te Manatū Waka the Ministry of Transport.

Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

Listed below are the most commonly used grounds from the OIA.

<u>Section</u>	<u>Description of ground</u>
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> <li>(i) the Government of any other country or any agency of such a Government; or</li> <li>(ii) any international organisation</li> </ul>
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

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Office of the Minister of Transport

Cabinet Legislation Committee

**Road User Charges (Light Electric RUC Vehicles) Amendment Bill: Approval for Introduction**

**Proposal**

- 1 This paper seeks Cabinet Legislation Committee approval to introduce the Road User Charges (Light Electric RUC Vehicles) Amendment Bill (the Bill).

**Relation to government priorities**

- 2 The Government is committed to investing in infrastructure and reducing debt, and considers that all road users should contribute funding to pay for the roads that they use.
- 3 The Government has also committed to replace fuel excise taxes with electronic road user charges (RUC) for all vehicles, starting with electric vehicles (EVs). This is the first step, and I will be reporting back to Cabinet later this year with the next steps.

**Policy**

*This Bill provides for the entry of light EVs into the RUC system, including enabling the setting of a reduced RUC rate for plug-in hybrid vehicles*

- 4 Since 2009, light EVs have been exempted from the obligation to pay RUC to encourage their uptake. The RUC exemption for light EVs is due to expire at the close of 31 March 2024, with light EV owners required to pay RUC from 1 April 2024.
- 5 Owners of plug-in hybrid electric vehicles (PHEVs), as light electric RUC vehicles, would also be liable for the full RUC rate on 1 April 2024. However, PHEVs that use petrol would be paying excise duty on any petrol purchased which may result in disproportionately higher costs for these vehicles compared to other comparable vehicle types.
- 6 On 18 December 2023, Cabinet agreed to amend the Road User Charges Act 2012 (the Act) and associated regulations to [CAB-23-MIN-0494 refers]:
  - 6.1 provide for a two-month period to transition new vehicles into the RUC system from 1 April 2024;
  - 6.2 enable the setting of partial rates of RUC to account for the excise duty PHEV owners also pay on petrol;
  - 6.3 remove the ability of PHEV owners to claim refunds for any fuel excise duty paid;
  - 6.4 provide for the exemption of very light electric vehicles from RUC from 1 April 2024; and

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6.5 amend the definition of all-terrain vehicle to capture an electric all-terrain vehicle<sup>1</sup>, with amendments to associated rules and regulations to ensure a consistent definition.

7 A Bill has been drafted that implements the decisions of Cabinet, and I seek approval for the Bill to be introduced into the House.

*I wish to highlight three aspects of the Bill*

8 The following aspects of the Bill are likely to be of particular interest:

8.1 **The partial rate for PHEVs** — set at \$53 per 1,000 kilometres — reflects an assumed average petrol consumption for these vehicles which can run on both electric and petrol. This rate offers PHEV owners a 30% discount compared to the standard light vehicle rate (\$76 per 1,000 kilometres) to account for petrol consumption.

The partial RUC rate was calculated by using manufacturer testing data, which would require a 20% discount on the full RUC rate to reflect the fuel excise duty paid. However, we know that on average, real world fuel economy varies depending on the way that each vehicle is used, we agreed a more conservative approach of 30%. This discount incorporates various usage assumptions about the use and condition of the vehicles and their battery.<sup>2</sup>

This calculation results in an assumed real-world fuel consumption of 2.86 litres per 100 kilometres. The **appendix** provides a comparison of likely costs for PHEVs and other vehicle types.

8.2 **The two-month transition period** — the Bill provides a period (from 1 April to 31 May 2024) where there is no liability for failure for a light EV owner or operator to have a RUC licence, provided the owner or operator of that vehicle has obtained a RUC licence by the close of 31 May 2024. This is a pragmatic compromise to assist the NZ Transport Agency (NZTA) administer the RUC system.

8.3 **Exemption for very light electric vehicles** — the Bill exempts very light electric vehicles, while owners of equivalent petrol vehicles (for example, petrol-powered mopeds and motorcycles) are contributing to the land transport system through fuel excise duty on any petrol purchased. Owners of these vehicles may highlight this as an inconsistency and if fleet-wide RUC is deployed then it would be difficult to justify the inequity between comparable vehicles based on the motive fuel.

*Confirmation sought of delegated policy decisions relating to very light electric vehicles*

9 On 18 December 2023, Cabinet authorised me to [CAB-23-MIN-0494]:

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<sup>1</sup> Diesel ATVs are currently exempted on the basis that they are unsuitable for regular road use but the definition only applies to combustion engine vehicles. The new definition will also provide for electric ATVs.

<sup>2</sup> Around 68 percent of PHEVs in New Zealand are under five years old. The newer the vehicle, the less likely it is to run on petrol. Approximately 76% of PHEVs are registered in large urban areas, so are likely better suited to being charged regularly and to run on electricity.

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- 9.1 make final decisions on the definition of a very light electric vehicle (recommendation 9);
  - 9.2 issue drafting instructions to the Parliamentary Counsel Office to give legislative effect to the policy proposals (including for primary legislation and any associated regulations), including any necessary consequential amendments, savings, and transitional provisions (recommendation 13); and
  - 9.3 make decisions that are consistent with the overall policy provided that these decisions are confirmed when the Bill is considered for introduction (recommendation 14).
- 10 The Bill provides that a very light electric vehicle is excluded from the RUC system so that they are not treated as a RUC vehicle.
  - 11 Following advice from officials, I have determined that a very light electric vehicle is defined in the Bill as a light electric RUC vehicle with a gross vehicle mass of 1,000 kg or less.
  - 12 This definition appropriately captures electric mopeds and electric motorcycles, does not inappropriately capture small cars, and is operationally aligned with other weight band definitions.
  - 13 To give effect to this decision and Cabinet's decision to ensure very light electric vehicles are not subject to RUC, the Bill excludes them from the RUC system through definition. Consequently, it is no longer necessary that the Bill provide for an Order in Council process to exempt very light electric vehicles.

### Impact Analysis

- 14 Cabinet's impact analysis requirements apply to the proposals in this paper.
- 15 The regulatory impact analysis (RIA), as advised to Cabinet, that given the limited timeframe to assess impacts, there are some gaps in the analysis [CBC-23-SUB-0024]. The RIA noted that forecasting foregone revenue and impacts of the policy is constrained by a lack of evidence on the impact of the policy on purchasing decisions and the demographic profile of light EV owners in New Zealand.

### Compliance

- 16 The Bill complies with each of the following:
  - 16.1 the principles of the Treaty of Waitangi;
  - 16.2 advice from the Treaty Provisions Officials Group was not sought;
  - 16.3 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993 (see additional comments below);
  - 16.4 the disclosure statement requirements (a disclosure statement has been prepared and is attached to the paper);
  - 16.5 the principles and guidelines set out in the Privacy Act 2020;
  - 16.6 relevant international standards and obligations; and

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16.7 the Legislation Guidelines (2021 edition), maintained by the Legislation Design and Advisory Committee.

17 The Ministry of Justice is undertaking an assessment of whether the Bill is consistent with the New Zealand Bill of Rights Act 1990 and will provide advice to the Attorney-General. Transport officials advise that no substantial issues are likely to arise.

### Consultation

18 The following Government departments and agencies have been consulted on the Bill: the New Zealand Customs Service, New Zealand Police, New Zealand Transport Agency, the Treasury, Energy Efficiency & Conservation Authority, the Ministry of Business, Innovation, and Employment, and the Parliamentary Counsel Office.

19 The Department of the Prime Minister and Cabinet have been informed.

20 Government caucus consultation has been undertaken.

### Binding on the Crown

39 The Bill will amend the Road User Charges Act 2012, which binds the Crown.

### Creating new agencies or amending law relating to existing agencies

40 The Bill will not create a new agency that is legally separate from the Crown.

41 The Bill will not amend the existing coverage of the Ombudsmen Act 1975, the Official Information Act 1982, or the Local Government Official Information and Meetings Act 1987.

### Allocation of decision-making powers

42 The Bill does not involve the allocation of decision-making powers between the executive, the courts, and tribunals.

### Associated regulations

43 The Bill makes amendments to secondary legislation that will come into force at the same time as the Bill.

44 The Bill amends the following:

44.1 Road User Charges Regulations 2012;

44.2 Road User Charges (Rates) Regulations 2015,

44.3 Road User Charges (Exemption Period for Light Electric RUC Vehicles) Exemption Order 2012;

44.4 Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004;

44.5 Land Transport Rule: Vehicle Standards Compliance 2002;

44.6 Land Transport (Road User) Rule 2004; and

44.7 Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011.

**Other instruments**

45 The Bill does not include any provision empowering the making of other instruments that are deemed to be legislative instruments or disallowable instruments (or both).

**Definition of Minister/Department**

46 The Bill does not contain a definition of Minister, department (or equivalent government agency), or chief executive of a department (or equivalent position).

**Commencement of legislation**

47 The Bill will come into force on 1 April 2024.

**Parliamentary Stages**

48 The Bill should be introduced to the House on 27 February 2024, be accorded urgency and passed no later than 21 March 2024.

49 It is proposed that the Bill be referred to the Transport and Infrastructure Committee for a two-week period of consideration from 5–18 March 2024.

**Communications**

50 I shall make a public statement on these matters at the time the Bill is introduced.

51 Work is already underway by the NZTA to inform the vehicle industry and electric vehicle owners of their new or updated obligations to ensure compliance as at 1 April 2024.

**Proactive Release**

52 I propose to proactively release this paper with appropriate redactions under the Official Information Act 1982 within 30 business days of final decisions being confirmed by Cabinet, in line with guidelines from the Cabinet Office (CabGuide, and the Cabinet Office circular, Proactive Release of Cabinet Material: Updated Requirements [CO (18) 4]).

**Recommendations**

I recommend that the Cabinet Legislation Committee:

1 s 9(2)(ba)(ii), s 9(2)(f)(iv)  


2 **note** that the Bill gives effect to Cabinet decisions to [CAB-22-MIN-0494]:

- 2.1 provide for a two-month period to transition new vehicles into the RUC system on the expiry of the current RUC exemption for light EVs on 31 March 2024;
- 2.2 enable the setting of partial rates of RUC to account for the excise duty PHEV owners also pay on petrol;
- 2.3 remove the ability of PHEV owners to claim refunds for any fuel excise duty paid;
- 2.4 provide for the exemption of very light electric vehicles from RUC from 1 April 2024; and

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- 2.5 amend the definition of all-terrain vehicles to capture an electric all-terrain vehicle, with amendments to associated rules and regulations to ensure a consistent definition;
- 3 **note** that the Minister of Transport, under delegated authority from Cabinet, has determined a very light electric vehicle be defined in the Bill as a light electric RUC vehicle with a gross vehicle mass of 1,000 kg or less;
- 4 **approve** the Road User Charges (Light Electric RUC Vehicle) Amendment Bill for introduction, subject to the final approval of the government caucus and sufficient support in the House of Representatives;
- 5 **agree** that the Bill be introduced to the House on 27 February 2024;
- 6 **agree** that the Government propose that the Bill be:
- 6.1 accorded urgency;
- 6.2 referred to the Transport and Infrastructure Committee for consideration;
- 6.3 enacted no later than 21 March 2024;
- 7 **invite** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office for any Amendment Paper;
- 8 **authorise** the Minister of Transport to move a motion in the House relating to any Amendment Paper.

Authorised for lodgement

Hon Simeon Brown

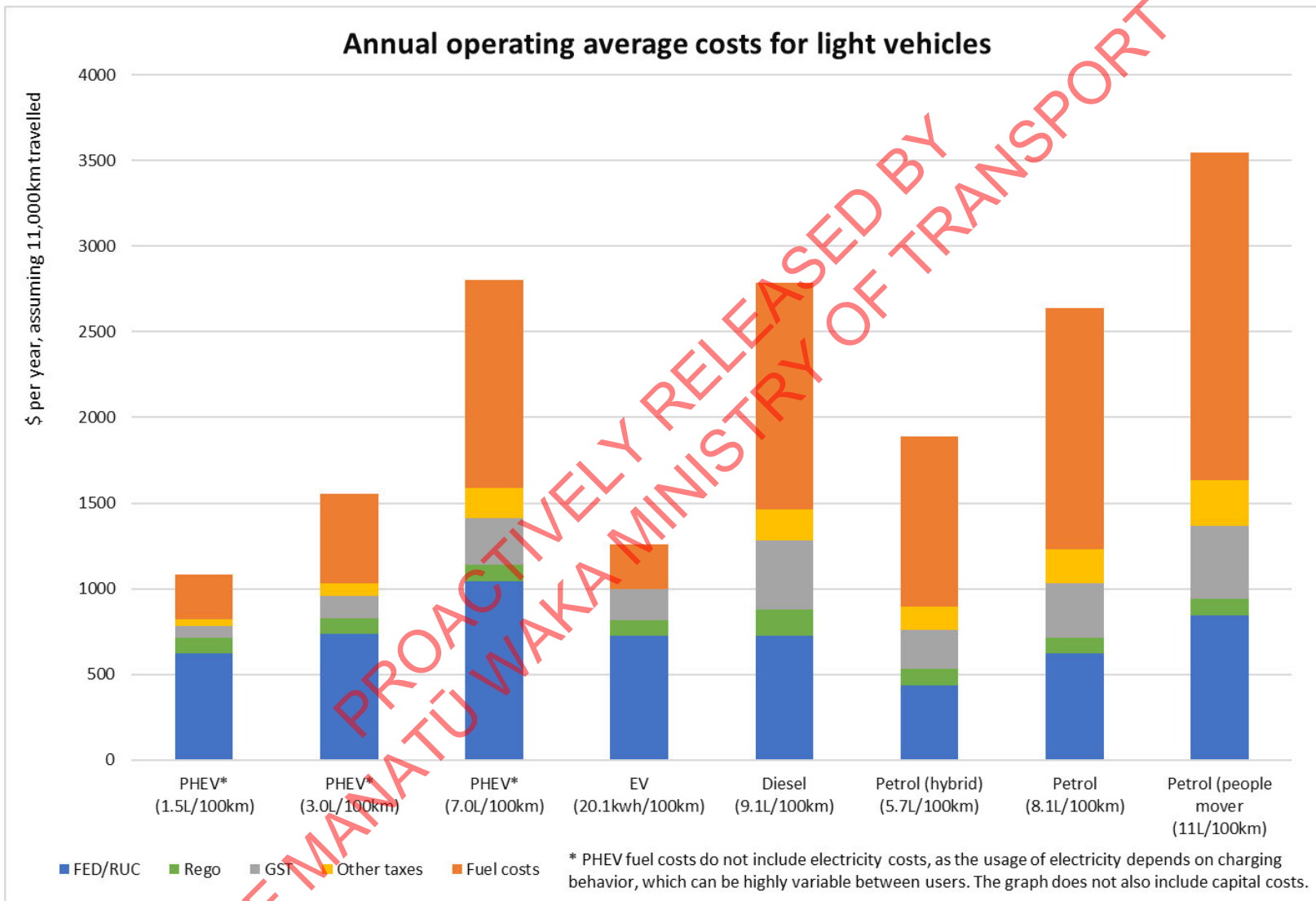
**Minister for Transport**

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Appendix



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# Departmental Disclosure Statement

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## Road User Charges (Light Electric RUC Vehicles) Amendment Bill

The departmental disclosure statement for a government Bill seeks to bring together in one place a range of information to support and enhance the Parliamentary and public scrutiny of that Bill.

It identifies:

- the general policy intent of the Bill and other background policy material;
- some of the key quality assurance products and processes used to develop and test the content of the Bill;
- the presence of certain significant powers or features in the Bill that might be of particular Parliamentary or public interest and warrant an explanation.

This disclosure statement was prepared by the Ministry of Transport.

The Ministry of Transport certifies that, to the best of its knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

14 February 2024

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## Part One: General Policy Statement

The Road User Charges (Light Electric RUC Vehicles) Amendment Bill (the Bill) provides for light electric RUC vehicles (light EVs) and plug-in hybrid electric vehicles (PHEVs) to pay road user charges (RUC) from 1 April 2024.

As background, RUCs apply to all heavy vehicles used on New Zealand roads and all light vehicles that use a motive power not wholly derived from petrol. This includes diesel vehicles and light EVs. However, light EVs have been exempted from the obligation to purchase RUC licences since 2009 to encourage people to purchase them.

The Bill amends the Road User Charges Act 2012 (the Act) to:

- require certain light EVs to have a RUC licence when the RUC exemption expires at the close of 31 March 2024; and
- allow for the setting of a reduced RUC rate for PHEVs. PHEVs, unlike other light EVs, pay fuel excise duty (FED) on any petrol purchased and, without a reduced RUC rate, would face higher taxation for their road use; and
- exempt very light electric vehicles (that have a gross vehicle mass of 1,000 kg or less) (very light EVs) from the payment of RUCs.

The Bill also amends the Road User Charges Regulations 2012 to add a new vehicle type (type 12) for PHEVs and amend the Road User Charges (Rates) Regulations 2015 to apply a reduced rate of \$53 per 1,000 kilometres for PHEVs. This rate has been calculated by estimating the average petrol consumption of PHEVs and the amount of FED paid per 1,000 kilometres.

The Bill amends the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004 to remove the ability of PHEV owners to claim refunds on any FED paid. This reflects that the reduced rate will be in place and ensure that PHEV owners will be paying roughly equivalent costs to owners of other light vehicles and avoids the need to rely on a time-consuming manual refund process.

The Bill also amends the Act to exempt very light EVs from the RUC system. The exemption is necessary because owners of those vehicles would otherwise face much higher costs through RUC than owners of equivalent petrol vehicles that pay FED. It also recognises that the costs of collecting RUC from these owners would likely outweigh the revenue collected.

The Bill also amends the definition of all-terrain vehicles (ATVs) in the Road User Charges (Classes of RUC Vehicles) Exemption Order 2012. Diesel ATVs are currently exempted on the basis that they are unsuitable for regular road use but the definition only applies to combustion engine vehicles. The new definition will also provide for electric ATVs and ATVs that use both kinds of power.

The Bill also amends the Act to put in place a two-month transition period beginning on 1 April 2024, during which vehicle operators will be relieved of liability for specific offences connected with the operation of a RUC vehicle without a RUC licence.

The Bill also makes several consequential amendments to various regulations and land transport rules to ensure that definitions and transitional arrangements are aligned.

## Part Two: Background Material and Policy Information

### Published reviews or evaluations

<b>2.1. Are there any publicly available inquiry, review or evaluation reports that have informed, or are relevant to, the policy to be given effect by this Bill?</b>	<b>YES</b>
The ministerial reports and briefings relating to “ <i>Driving change: Reviewing the Road User Charges System</i> ” public consultation are accessible on the Ministry of Transport website. The Ministry of Transport intends to also make available on its website Cabinet papers and other material relating to the policy decision relating to the RUC for light electric vehicles.	

### Relevant international treaties

<b>2.2. Does this Bill seek to give effect to New Zealand action in relation to an international treaty?</b>	<b>NO</b>
N/A	

<b>2.2.1. If so, was a National Interest Analysis report prepared to inform a Parliamentary examination of the proposed New Zealand action in relation to the treaty?</b>	<b>NO</b>
N/A	

### Regulatory impact analysis

<b>2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?</b>	<b>YES</b>
“Bringing light EVs into RUC”, Authoring agency: Ministry of Transport. The regulation impact statement can be accessed at <a href="http://www.transport.govt.nz/area-of-interest/revenue/road-user-charges-system/">www.transport.govt.nz/area-of-interest/revenue/road-user-charges-system/</a>	

<b>2.3.1. If so, did the RIA Team in the Treasury provide an independent opinion on the quality of any of these regulatory impact statements?</b>	<b>NO</b>
The RIS did not meet the threshold for RIA Team assessment. It was reviewed internally by the Ministry of Transport RIA review panel.	

<b>2.3.2. Are there aspects of the policy to be given effect by this Bill that were not addressed by, or that now vary materially from, the policy options analysed in these regulatory impact statements?</b>	<b>NO</b>
N/A	

### Extent of impact analysis available

<b>2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?</b>	<b>NO</b>
N/A	

<b>2.5. For the policy to be given effect by this Bill, is there analysis available on:</b>	
<b>(a) the size of the potential costs and benefits?</b>	<b>YES</b>
<b>(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?</b>	<b>YES</b>
The Ministry of Transport intends to publish the regulatory impact statement and other relevant documents at <a href="http://www.transport.govt.nz/area-of-interest/revenue/road-user-charges-system/">www.transport.govt.nz/area-of-interest/revenue/road-user-charges-system/</a>	

<b>2.6. For the policy to be given effect to by this Bill, are the potential costs or benefits likely to be impacted by:</b>	
<b>(a) the level of effective compliance or non-compliance with applicable obligations or standards?</b>	<b>NO</b>
<b>(b) the nature and level of regulator effort put into encouraging or securing compliance?</b>	<b>NO</b>
N/A	

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## Part Three: Testing of Legislative Content

### Consistency with New Zealand's international obligations

**3.1. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations?**

The matters considered in this Bill are not relevant to New Zealand's international obligations.

### Consistency with the government's Treaty of Waitangi obligations

**3.2. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with the principles of the Treaty of Waitangi?**

The Bill is likely consistent with the principles of the Treaty of Waitangi.

### Consistency with the New Zealand Bill of Rights Act 1990

**3.3. Has advice been provided to the Attorney-General on whether any provisions of this Bill appear to limit any of the rights and freedoms affirmed in the New Zealand Bill of Rights Act 1990?**

YES

The Ministry of Justice is undertaking an assessment of whether the Bill is consistent with the New Zealand Bill of Rights Act 1990 and will provide advice to the Attorney-General. Transport officials advise that no substantial issues are likely to arise.

### Offences, penalties and court jurisdictions

**3.4. Does this Bill create, amend, or remove:**

**(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?**

NO

**(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?**

NO

The Bill does not create any new infringements or offences.

**3.4.1. Was the Ministry of Justice consulted about these provisions?**

YES

The Ministry of Justice Offences and Penalties team was consulted and they did not raise any issues.

### Privacy issues

**3.5. Does this Bill create, amend or remove any provisions relating to the collection, storage, access to, correction of, use or disclosure of personal information?**

NO

N/A.

**3.5.1. Was the Privacy Commissioner consulted about these provisions?**

YES

The Privacy Commissioner made a submission to the consultation Driving Change (which included these changes) and did not raise any privacy concerns or privacy implications about EVs being subject to road user charges.

## External consultation

<b>3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?</b>	<b>YES</b>
<p>In 2022, the Ministry of Transport conducted a public consultation on a range of matters relating to the road user charges system, including on EVs being subject to RUC. The discussion document asked 89 separate questions. Over 3000 separate responses were provided from over 100 submitters. Most submissions were received from the freight and trucking sectors.</p> <p>Submissions were mixed on the proposals in the Bill. Most submitters opposed the introduction of a partial rate for PHEVs, but it was not clear whether submitters understood that the purpose of the partial rate would be to ensure that PHEV owners would not have to pay higher costs than all other light vehicle owners.</p>	

## Other testing of proposals

<b>3.7. Have the policy details to be given effect by this Bill been otherwise tested or assessed in any way to ensure the Bill's provisions are workable and complete?</b>	<b>YES</b>
<p>The New Zealand Transport Agency (NZTA) is the RUC collector. NZTA has been involved throughout the policy development process and has been developing an implementation plan to implement the Bill's provisions.</p>	

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## Part Four: Significant Legislative Features

### Compulsory acquisition of private property

4.1. Does this Bill contain any provisions that could result in the compulsory acquisition of private property?	NO
N/A	

### Charges in the nature of a tax

4.2. Does this Bill create or amend a power to impose a fee, levy or charge in the nature of a tax?	YES
The Bill amends the Road User Charges Act 2012 to allow for partial RUC rates to be set in certain situations. This is only expected to be applied to PHEVs, because the owners are also contributing to the land transport revenue system through excise on any petrol paid. The partial rate is therefore necessary to ensure that PHEV owners do not face 'double' taxation or notably higher costs than owners of other light vehicles.	

### Retrospective effect

4.3. Does this Bill affect rights, freedoms, or impose obligations, retrospectively?	NO
N/A	

### Strict liability or reversal of the usual burden of proof for offences

4.4. Does this Bill:	
(a) create or amend a strict or absolute liability offence?	NO
(b) reverse or modify the usual burden of proof for an offence or a civil pecuniary penalty proceeding?	NO
N/A	

### Civil or criminal immunity

4.5. Does this Bill create or amend a civil or criminal immunity for any person?	NO
N/A	

### Significant decision-making powers

4.6. Does this Bill create or amend a decision-making power to make a determination about a person's rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?	NO
N/A	

### Powers to make delegated legislation

4.7. Does this Bill create or amend a power to make delegated legislation that could amend an Act, define the meaning of a term in an Act, or grant an exemption from an Act or delegated legislation?	NO
N/A	

4.8. Does this Bill create or amend any other powers to make delegated legislation?	NO
N/A	

### Any other unusual provisions or features

4.9. Does this Bill contain any provisions (other than those noted above) that are unusual or call for special comment?	NO
N/A	

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## **Road User Charges (Light Electric RUC Vehicles) Amendment Bill**

Government Bill

### **Explanatory note**

#### **General policy statement**

The Road User Charges (Light Electric RUC Vehicles) Amendment Bill (the **Bill**) provides for light electric RUC vehicles (**light EVs**) and plug-in hybrid electric RUC vehicles (**PHEVs**) to pay road user charges (**RUCs**) from 1 April 2024.

As background, RUCs apply to all heavy vehicles used on New Zealand roads and all light vehicles that use a motive power not wholly derived from petrol. This includes diesel vehicles and light EVs. However, light EVs have been exempted from the obligation to purchase RUC licences since 2009 to encourage people to purchase them.

The Bill amends the Road User Charges Act 2012 (the **Act**) to—

- require certain light EVs to have a RUC licence when the RUC exemption expires at the close of 31 March 2024; and
- allow for the setting of a reduced RUC rate for PHEVs. PHEVs, unlike other light EVs, pay fuel excise duty (**FED**) on any petrol purchased and, without a reduced RUC rate, would face higher taxation for their road use; and
- exempt very light electric RUC vehicles (that have a gross vehicle mass of 1,000 kg or less) (**very light EVs**) from the payment of RUCs.

The Bill also amends the Road User Charges Regulations 2012 to add a new vehicle type (type 12) for PHEVs and amends the Road User Charges (Rates) Regulations 2015 to apply a reduced rate of \$53 per 1,000 kilometres for PHEVs. This rate has been calculated by estimating the average petrol consumption of PHEVs and the amount of FED paid per 1,000 kilometres.

The Bill amends the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004 to remove the ability of PHEV owners to claim refunds on any FED paid. This reflects that the reduced RUC

rate will be in place and ensures that PHEV owners will be paying roughly equivalent costs to owners of other light vehicles and avoids the need to rely on a time-consuming manual refund process.

The Bill also amends the Act to exempt very light EVs from the RUC system. The exemption is necessary because owners of those vehicles would otherwise face much higher costs through RUC than owners of equivalent petrol vehicles that pay FED. It also recognises that the costs of collecting RUC from those owners would likely outweigh the revenue collected.

The Bill also amends the definition of all-terrain vehicles (ATVs) in the Road User Charges (Classes of RUC Vehicles) Exemption Order 2012. Diesel ATVs are currently exempted on the basis that they are unsuitable for regular road use but the definition only applies to combustion engine vehicles. The new definition will also provide for electric ATVs and ATVs that use both kinds of power.

The Bill also amends the Act to put in place a two-month transition period beginning on 1 April 2024, during which vehicle operators will be relieved of liability for specific offences connected with the operation of a RUC vehicle without a RUC licence.

The Bill also makes several consequential amendments to various regulations and land transport rules to ensure that definitions and transitional arrangements are aligned.

#### **Departmental disclosure statement**

The Ministry of Transport is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at [..... PPU to insert URL and link .....] if it has been provided for publication.

#### **Regulatory impact statement**

The Ministry of Transport produced a regulatory impact statement on 15 December 2023 to help inform the main policy decisions taken by the Government relating to the contents of this Bill.

A copy of this regulatory impact statement can be found at—

- <https://www.transport.govt.nz/area-of-interest/revenue/road-user-charges-system/>
- <https://treasury.govt.nz/publications/informationreleases/ris>

#### **Clause by clause analysis**

*Clause 1* gives the Title of the Bill.

*Clause 2* provides that the Bill, once enacted, comes into force on **1 April 2024**. This is the day after the date on which the current exemption of light electric RUC vehicles (**light EVs**) from the payment of road user charges expires (*see* Road User Charges (Exemption Period for Light Electric RUC Vehicles) Order 2012) and the day on which the new exemption for very light electric RUC vehicles takes effect.

*Clause 3* repeals the Bill at the 1 start of 1 July 2024.

*Part 1 (clauses 4 to 8)* amends the Road User Charges Act 2012.

*Clause 5* amends section 5 (interpretation) by—

- inserting a new definition of plug-in hybrid electric RUC vehicle (**PHEV**) to support the amendments made to section 85 by *clause 7* and the related amendments made to secondary legislation by *clauses 13, 15, and 20*; and
- inserting a new definition of very light electric RUC vehicle for the purpose of the exclusion of those vehicles from the RUC scheme; and
- amending the definition of light electric RUC vehicle so the gross vehicle mass of that vehicle is greater than that of a very light electric RUC vehicle; and
- amending the definition of light RUC vehicle by excluding very light electric RUC vehicles.

*Clause 6* inserts *new section 6AA* (transitional, savings, and related provisions), which gives effect to *new Schedule 1AA* (inserted by *clause 8*).

*Clause 7* amends section 85 by authorising regulations to specify a reduced rate of road user charges for PHEVs. The reduced rate takes into account the amount of excise duty and excise-equivalent duty that is payable for petrol likely to be used by the vehicle type. *See* the new definition of PHEV inserted by *clause 5* and related amendments made to secondary legislation by *clauses 13, 15, and 20*.

*Clause 8* inserts *new Schedule 1AA* (*see Schedule 1* of the Bill).

*Part 2* amends or revokes instruments of secondary legislation.

*Subpart 1 (clauses 9 to 13)* amends the Road User Charges Regulations 2012 as follows:

- *clause 10* inserts *new regulation 3A* (transitional, savings, and related provisions), which gives effect to *new Schedule 1*;
- *clause 12* inserts *new Schedule 1* (*see Schedule 2* of the Bill);
- *clause 13* amends the Schedule by inserting a new item for type 12 vehicles (PHEVs with 2 axles) that specifies a reduced rate of RUC for PHEVs. *See* the new definition of PHEV in the Road User Charges Act 2012 and *see also* the related amendments made by *clauses 7, 15, and 20*;
- *clauses 11 and 13* also make minor consequential amendments, including by renumbering the Schedule as *Schedule 2* (as *clause 12* inserts *new Schedule 1*).

*Subpart 2 (clauses 14 and 15)* amends the Road User Charges (Rates) Regulations 2015.



*Clause 15* amends Schedule 1 by inserting a new item for type 12 vehicles (PHEVs with 2 axles). (See the new definition of PHEV in the Road User Charges Act 2012 and the related amendments made by *clauses 7, 13, and 20*.)

*Subpart 3 (clause 16)* revokes the Road User Charges (Exemption Period for Light Electric RUC Vehicles) Order 2012 because the exemption in that order will have expired by the time the Bill comes into force. The expiry of the exemption is the reason for the commencement of the Bill on **1 April 2024** and for the consequential amendments to the Road User Charges Act 2012 and secondary legislation made by *clauses 8 and 12* (and *Schedules 1 and 2*).

*Subpart 4 (clauses 17 and 18)* amends the Road User Charges (Classes of RUC Vehicles) Exemption Order 2012.

*Clause 18* amends the definition of all-terrain vehicle in clause 3(1), so that the definition provides separately for vehicles with an internal combustion engine, vehicles powered by an electric motor, and vehicles powered by both. The Bill also amends that definition in secondary legislation made under the Land Transport Act 1998 (see *subparts 6 to 8 of Part 2* of the Bill).

*Subpart 5 (clauses 19 and 20)* amends the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004.

*Clause 20* amends the definition of licensed vehicle in regulation 3(1) by excluding PHEVs from that definition. The effect of the amendment is that there will no longer be an entitlement to a refund of excise duty, excise-equivalent duty, and goods and services tax charged for motor spirits used as fuel in a PHEV. Those vehicles will now attract a reduced rate of RUC. (See the new definition of PHEV in the Road User Charges Act 2012 and the related amendments made by *clauses 7, 13, and 15*.)

*Subpart 6 (clauses 21 and 22)* amends the Land Transport Rule: Vehicle Standards Compliance 2002.

*Clause 22* amends the definition of All-terrain vehicle in Part 2 of that rule by aligning that definition with the corresponding definition in the Road User Charges (Classes of RUC Vehicles) Exemption Order 2012 as amended by *clause 18*.

*Subpart 7 (clauses 23 and 24)* amends the Land Transport (Road User) Rule 2004.

*Clause 24* amends the definition of all terrain vehicle by aligning that definition with the corresponding definition in the Road User Charges (Classes of RUC Vehicles) Exemption Order 2012 as amended by *clause 18*.

*Subpart 8 (clauses 25 and 26)* amends the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011.

*Clause 26* makes a minor technical amendment to the definition of all-terrain vehicle in regulation 3. That definition incorporates the definition in the Land Transport Rule: Vehicle Standards Compliance 2002, and that definition, as amended by the Bill, remains consistent across land transport legislation and RUC legislation.

*Schedule 1* contains *new Schedule IAA* of the Road User Charges Act 2012 (inserted by *clause 8*), which contains transitional provisions as follows:

- *clause 2* provides that the operation of a newly registered light electric RUC vehicle without a licence between **1 April and 31 May 2024** (the **transition period**) is not an offence if the vehicle has a compliant distance licence by 31 May 2024:
- *clause 3* makes similar provision for operating a newly registered light electric RUC vehicle during the transition period without displaying or carrying a RUC licence: it is not an offence if the vehicle has a licence by 31 May 2024.

*Schedule 2* contains *new Schedule 1* of the Road User Charges Regulations 2012 (inserted by *clause 12*). *Clause 1* of the new schedule provides that an application made on or after **1 April 2024** for a distance licence for a newly registered light electric RUC vehicle, in addition to including the information required by regulation 7 of the relevant regulations, must specify the distance travelled by the vehicle as recorded by the vehicle's distance recorder on the date of the application.

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*Hon Simeon Brown*

## **Road User Charges (Light Electric RUC Vehicles) Amendment Bill**

Government Bill

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**Road User Charges (Light Electric RUC Vehicles)  
Amendment Bill**

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**The Parliament of New Zealand enacts as follows:**

**1 Title**

This Act is the Road User Charges (Light Electric RUC Vehicles) Amendment Act **2024**.

**2 Commencement**

This Act comes into force on **1 April 2024**.

**3 Repeal of this Act**

This Act is repealed on 1 July 2024.

**Part 1**

**Amendments to Road User Charges Act 2012**

**4 Principal Act**

This Part amends the Road User Charges Act 2012.

**5 Section 5 amended (Interpretation)**

(1) In section 5(1), insert in their appropriate alphabetical order:

**plug-in hybrid electric RUC vehicle** means a light electric RUC vehicle with motive power partly derived from petrol and partly derived from an external source of electricity

**very light electric RUC vehicle** means a RUC vehicle with—

- (a) a gross vehicle mass of 1 000 kilograms or less; and
- (b) motive power wholly or partly derived from an external source of electricity

**Examples**

An electric motorcycle or an electric moped.

(2) In section 5(1), definition of **light electric RUC vehicle**, replace paragraph (a) with:

- (a) a gross vehicle mass of more than 1 000 kilograms but not more than 3 500 kilograms; and

(3) In section 5(1), definition of **light RUC vehicle**, after paragraph (b), insert:

- (c) does not include a very light electric RUC vehicle

**6 New section 6AA inserted (Transitional, savings, and related provisions)**

After section 6, insert:

**6AA Transitional, savings, and related provisions**

The transitional, savings, and related provisions set out in **Schedule 1AA** have effect according to their terms.

**7 Section 85 amended (Regulations specifying rates of road user charges)**

After section 85(2), insert:

**Road User Charges (Light Electric RUC Vehicles)  
Amendment Bill**

Part 1 cl 8

(2A) For the purposes of subsection (2)(a), regulations made under subsection (1) may specify, for plug-in hybrid electric RUC vehicles, a reduced rate that takes into account any excise duty or excise-equivalent duty payable under the Customs and Excise Act 2018 in relation to the amount of petrol likely to be used by the vehicle type.

**8 New Schedule 1AA inserted**

Insert the **Schedule 1AA** set out in **Schedule 1** of this Act as the first schedule to appear after the last section of the principal Act.

**Part 2**

**Amendments to, and revocation of, secondary legislation**

Subpart 1—Amendments to Road User Charges Regulations 2012

**9 Principal regulations**

This subpart amends the Road User Charges Regulations 2012.

**10 New regulation 3A inserted (Transitional, savings, and related provisions)**

After regulation 3, insert:

**3A Transitional, savings, and related provisions**

The transitional, savings, and related provisions set out in **Schedule 1** have effect according to their terms.

**11 Regulation 4 amended (RUC vehicle types and RUC weight bands)**

In regulation 4(1), (2), and (2A), replace “the Schedule” with “**Schedule 2**”.

**12 New Schedule 1 inserted**

Insert the **Schedule 1** set out in **Schedule 2** of this Act as the first schedule to appear after the last provision of the principal regulations.

**13 Schedule amended**

- (1) In the Schedule heading, replace “Schedule” with “**Schedule 2**”.
- (2) In the Schedule, Part 1, table, item relating to RUC vehicle type 1, replace “type 2 or 299” with “type 12, 2, or 299”.
- (3) In the Schedule, Part 1, table, after the item relating to RUC vehicle type 1, insert:

12	RUC weight of not more than 3 500 kg	Powered plug-in hybrid electric RUC vehicle with 2 axles
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Subpart 2—Amendments to Road User Charges (Rates) Regulations  
2015

**14 Principal regulations**

This subpart amends the Road User Charges (Rates) Regulations 2015.

**15 Schedule 1 amended**

- (1) In Schedule 1, table, item relating to RUC vehicle type 1, replace “type 2 or type 299” with “type 12, 2, or 299”.
- (2) In Schedule 1, table, after the item relating to RUC vehicle type 1, insert:

12	Powered plug-in hybrid electric RUC vehicle with 2 axles	RUC weight of not more than 3,500 kg	53
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Subpart 3—Revocation of Road User Charges (Exemption Period for  
Light Electric RUC Vehicles) Order 2012

**16 Revocation**

The Road User Charges (Exemption Period for Light Electric RUC Vehicles) Order 2012 (SR 2012/140) is revoked.

Subpart 4—Amendment to Road User Charges (Classes of RUC  
Vehicles) Exemption Order 2012

**17 Principal order**

This subpart amends the Road User Charges (Classes of RUC Vehicles) Exemption Order 2012.

**18 Clause 3 amended (Interpretation)**

In clause 3(1), definition of **all-terrain vehicle**, replace paragraph (c) with:

- (c) is powered by either or both of the following:
- (i) an internal combustion engine with an engine capacity exceeding 50 ml;
  - (ii) an electric motor with an output exceeding 4 kW; and

Subpart 5—Amendment to Land Transport Management  
(Apportionment and Refund of Excise Duty and Excise-Equivalent  
Duty) Regulations 2004

**19 Principal regulations**

This subpart amends the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004.

**20 Regulation 3 amended (Interpretation)**

In regulation 3(1), replace the definition of **licensed vehicle** with:

**licensed vehicle** means a motor vehicle—

- (a) that is required to be licensed under the Road User Charges Act 2012 (other than a plug-in hybrid electric RUC vehicle within the meaning of that Act); and
- (b) to which a licence within the meaning of that Act relates at all times during any period in respect of which a refund is applied for under section 41 of the Land Transport Management Act 2003

Subpart 6—Amendment to Land Transport Rule: Vehicle Standards  
Compliance 2002

**21 Principal rule**

This subpart amends the Land Transport Rule: Vehicle Standards Compliance 2002.

**22 Part 2 amended**

In Part 2, definition of **All-terrain vehicle**, replace paragraph (c) with:

- (c) is powered by either or both of the following:
  - (i) an internal combustion engine with an engine capacity exceeding 50 ml;
  - (ii) a power source (other than an internal combustion engine) with an output exceeding 4 kW; and

Subpart 7—Amendment to Land Transport (Road User) Rule 2004

**23 Principal rule**

This subpart amends the Land Transport (Road User) Rule 2004.

**24 Clause 1.6 amended (Interpretation)**

In clause 1.6, definition of **all terrain vehicle**, replace paragraph (c) with:

- (c) is powered by either or both of the following:
  - (i) an internal combustion engine with an engine capacity exceeding 50 ml;
  - (ii) an electric motor with an output exceeding 4 kW; and



Subpart 8—Amendment to Land Transport (Motor Vehicle Registration  
and Licensing) Regulations 2011

**25 Principal regulations**

This subpart amends the Land Transport (Motor Vehicle Registration and Licensing) Regulations 2011.

**26 Regulation 3 amended (Interpretation)**

In regulation 3, definition of **all-terrain vehicle**, after “given”, insert “for All-terrain vehicle”.

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**Schedule 1****New Schedule 1AA inserted into Road User Charges Act 2012**

s 8

**Schedule 1AA****Transitional, savings, and related provisions**

s 6AA

**Part 1****Provisions relating to Road User Charges (Light Electric RUC Vehicles) Amendment Act 2024****1 Interpretation**

In this Part, unless the context otherwise requires,—

**exempt light electric RUC vehicle** means a light electric RUC vehicle—

- (a) registered under Part 17 of the Land Transport Act 1998 on or before 31 March 2024; and
- (b) for which a distance licence has not previously been issued

**transition period** means the period between **1 April 2024** and 31 May 2024.

**2 No licence held**

- (1) This clause applies to a person who, during the transition period, operates a light electric RUC vehicle that—
  - (a) is an exempt light electric RUC vehicle; and
  - (b) does not have a distance licence that complies with section 9(2).
- (2) The person does not commit an offence against section 9(4)(a) if a distance licence that complies with section 9(2) is issued by the end of the transition period.

**3 No licence displayed or carried**

- (1) This clause applies to a person who, during the transition period, operates a light electric RUC vehicle that was an exempt light electric RUC vehicle without displaying or carrying a RUC licence in accordance with section 19(1).
- (2) The person does not commit an offence against section 19(2) if a RUC licence is displayed or carried in accordance with section 19(1) by the end of the transition period.

**Schedule 2**

**New Schedule 1 inserted into Road User Charges Regulations 2012**

s 12

**Schedule 1**

**Transitional, savings, and related provisions**

r 3A

**Part 1**

**Provisions relating to Road User Charges (Light Electric RUC Vehicles) Amendment Act 2024**

**1 Application for distance licence for light electric RUC vehicle**

- (1) This clause applies to an application for a distance licence made on or after **1 April 2024** in relation to a light electric RUC vehicle—
  - (a) registered under Part 17 of the Land Transport Act 1998 on or before 31 March 2024; and
  - (b) for which a distance licence has not previously been issued.
- (2) The application must, in addition to containing the information required by regulation 7, specify the distance travelled by the vehicle as recorded by the vehicle's distance recorder on the date of the application.



# Cabinet Legislation Committee

## Minute of Decision

*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.*

### Road User Charges (Light Electric RUC Vehicles) Amendment Bill: Approval for Introduction

Portfolio                      Transport

On 22 February 2024, the Cabinet Legislation Committee:

- 1                      s 9(2)(ba)(ii), s 9(2)(f)(iv)
- 2                      **noted** that in December 2023, Cabinet agreed to amend the Road User Charges Act 2012 (the Act) and associated regulations to:
  - 2.1                      provide for a two-month period to transition new vehicles into the RUC system on the expiry of the current RUC exemption for light EVs on 31 March 2024;
  - 2.2                      enable the setting of partial rates of RUC to account for the excise duty PHEV owners also pay on petrol;
  - 2.3                      remove the ability of PHEV owners to claim refunds for any fuel excise duty paid;
  - 2.4                      provide for the exemption of very light electric vehicles from RUC from 1 April 2024;
  - 2.5                      amend the definition of all-terrain vehicles to capture an electric all-terrain vehicle, with amendments to associated rules and regulations to ensure a consistent definition;[CAB-22-MIN-0494]
- 3                      **noted** that the Minister of Transport, under delegated authority from Cabinet, has determined that a very light electric vehicle be defined in the Bill as a light electric RUC vehicle with a gross vehicle mass of 1,000 kg or less;
- 4                      **approved** the Road User Charges (Light Electric RUC Vehicle) Amendment Bill [PCO 25124/11.0] for introduction, subject to the final approval of the government caucuses and sufficient support in the House of Representatives;
- 5                      **agreed** that the Bill be introduced to the House on 27 February 2024;

- 6 **agreed** that the Government propose that the Bill be:
- 6.1 progressed under urgency;
  - 6.2 referred to the Transport and Infrastructure Committee for consideration;
  - 6.3 enacted no later than 21 March 2024;
- 7 **invited** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office for any Amendment Paper consistent with the policy intent agreed by Cabinet;
- 8 **authorised** the Minister of Transport to move a motion in the House relating to any Amendment Paper.

Rebecca Davies  
Committee Secretary

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**Present:**

Rt Hon Winston Peters  
Hon Chris Bishop (Chair)  
Hon Dr Shane Reti  
Hon Simeon Brown  
Hon Louise Upston  
Hon Casey Costello  
Hon Andrew Bayly  
Scott Simpson, MP  
Todd Stevenson, MP  
Jamie Arbuckle, MP

**Officials present from:**

Officials Committee for LEG  
Office of the Prime Minister  
Office of the Leader of the House  
Office of the Minister of Revenue

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# Cabinet

## Minute of Decision

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### Report of the Cabinet Legislation Committee: Period Ended 23 February 2024

On 26 February 2024, Cabinet made the following decisions on the work of the Cabinet Legislation Committee for the period ended 23 February 2024:

Out of Scope



LEG-24-MIN-0008

**Road User Charges (Light Electric RUC Vehicles) Amendment Bill: Approval for Introduction**  
Portfolio: Transport

CONFIRMED

Out of Scope



Diana Hawker  
for Secretary of the Cabinet



**In Confidence**

Office of the Minister of Transport

Cabinet

**Update on the Road User Charges (Light Electric RUC Vehicles) Amendment Bill**

**Proposal**

- 1 This paper seeks a decision from Cabinet on the appropriate rate of road user charges (RUC) for plug-in hybrid electric vehicles (PHEVs).

**Background**

- 2 The *Road User Charges (Light Electric RUC Vehicles) Amendment Bill* (the Bill) smooths the entry of light electric RUC vehicles into the RUC system. Light electric vehicles, including PHEVs, will become subject to RUC when the current exemption from road user charges for light electric vehicles expires at the end of 31 March 2024.
- 3 On 18 December 2023 [CAB-23-MIN-0494], Cabinet made policy decisions on the entry of electric vehicles, including PHEVs, into the RUC system when the exemption ends. Cabinet agreed to a 30 percent discount on the standard light RUC rate for PHEVs. The 30 percent discount takes into account the average contribution these vehicles make through excise duty when they operate on petrol.
- 4 On 22 February 2024, the Cabinet Legislation Committee agreed to the Bill being introduced into the House [LEG-24-MIN-0008]. On 5 March 2024, the Bill had its first reading and was referred to the Transport and Infrastructure select committee (the Committee).

**The Bill referred to the Committee proposed a 30 percent discount for PHEVs**

- 5 A 30 percent discount would mean owners of PHEVs, instead of paying the standard light vehicle rate of \$76 per 1,000 kilometres, would pay \$53 per 1,000 kilometres. The 30 percent discount was informed by what is likely to be the typical PHEV in New Zealand, most notably –
  - 5.1 PHEVs are primarily registered to people who live in urban areas (76 percent): This suggests they are likely used for shorter trips and can be frequently charged, leading to less reliance on petrol.
  - 5.2 Most PHEVs are relatively new (68 percent are under 5 years old): This suggests most have good batteries and potentially have efficient engines, further reducing reliance on petrol.
  - 5.3 The average PHEV in the New Zealand fleet has a manufacturer's (fleet adjusted) fuel consumption of 2 litres per 100 kilometres: This figure, while not fully reflecting real-world usage, indicates the likely potential fuel efficiency of PHEVs compared to other vehicles.
- 6 With a 30 percent discount, a PHEV using 2.86 litres of petrol per 100 kilometres would pay the same (in fuel excise duty (FED) and RUC) as a light RUC vehicle (\$76 per 1,000km). The average petrol vehicle in New Zealand consumes around 8.1 litres



per 100 kilometres. Regardless of a PHEV's fuel consumption, the amount paid will be comparable to many petrol vehicles in the fleet.

- 7 The previous Government consulted on a partial rate with a 20 percent discount. Officials consider a 30 percent discount compared to the full light RUC rate a fair proxy for the typical PHEV in New Zealand. It would mean a PHEV contributes a similar amount to the National Land Transport Fund (in RUC and FED combined) as other light RUC vehicles.

**The Committee amended the Bill to provide a greater discount of 50 percent for PHEVs**

- 8 The Committee received a total of 518 submissions on the Bill, which was open for submissions between 5 and 7 March 2024. The Committee also heard 19 oral submissions on 8 March 2024.
- 9 More than 20 percent of submissions commented on the PHEV RUC rate. Overall, the submissions underscored the difficulty in setting a rate for PHEVs, given the significant variance in battery capacity and recharging practices across the PHEV fleet. For example, some PHEV owners may exclusively use battery power, while others primarily depend on petrol.
- 10 Some submitters questioned the basis for the proposed 30 percent discount, with suggestions for a greater discount sometimes without substantive justification. 95 submitters proposed an alternative PHEV rate, with only a few advocating for a lower discount (20 percent).
- 11 A significant number called for a discount exceeding 30 percent, with the average suggested PHEV rate being \$32 per 1,000 kilometres, representing a 58 percent discount. My understanding is that the Committee agreed to amend the Bill to incorporate a 50 percent discount in the rate of road user charges for PHEVs, being \$38 per 1,000 km.

**Implementation**

- 12 NZTA is the RUC collector and can readily implement changes to the PHEV rate for 1 April 2024.

**Cost of living implications**

- 13 Increasing the rate of discount lowers the cost of RUC for a PHEV owner, which in turn reduces the financial burden on households due to the end of the exemption of RUC for owners of PHEVs.

**Financial implications**

- 14 A reduced rate for PHEVs will have a corresponding impact on the NLTF. Forecasting by the Ministry of Transport estimates the following revenue from PHEV owners under different scenarios:
- 14.1 30 percent discount (rate of \$53 per 1,000 km): \$15.0-\$20.0 million per year
- 14.2 40 percent discount (rate of \$46 per 1,000 km): \$13.0-\$17.4 million per year
- 14.3 50 percent discount (rate of \$38 per 1,000 km): \$10.8-\$14.3 million per year.

- 15 Increasing the discount would reduce revenue by \$2.0–\$2.6 million per year at a 40 percent discount, or \$4.2–\$5.7 million per year at a 50 percent discount, relative to the previously proposed 30 percent discount. This will be resolved once we move to RUC for all vehicles. This reduction in revenue will not change the expenditure profile of the Government Policy Statement on land transport 2024.

### Legislative implications

- 16 I understand that the Transport and Infrastructure Select Committee have reported back on the *Road User Charges (Light Electric RUC Vehicles) Amendment Bill*. Any alteration to the Bill can be made by the Minister moving an Amendment Paper.

### Impact Analysis

#### *Regulatory Impact Statement*

- 17 A regulatory impact statement has previously been provided to Cabinet relating to the decision to set a partial rate for PHEVs [CAB-23-MIN-0494 refers]. Cabinet's impact analysis requirements apply to the proposal to change the rate of RUC for PHEVs, but there is no accompanying Regulatory Impact Statement, and the Treasury has not exempted the proposal from the impact analysis requirements. Therefore, it does not meet Cabinet's requirements for regulatory proposals.
- 18 Given the Transport and Infrastructure select committee reported back on Thursday 14 March 2024, there has been insufficient time to prepare a Regulatory Impact Statement. The Regulatory Impact Analysis team at the Treasury and the Ministry of Transport have agreed that a post-implementation review will be completed one year after the implementation of the *Road User Charges (Light Electric RUC Vehicles) Amendment Bill*.

#### *Climate Implications of Policy Assessment*

- 19 The Climate Implications of Policy Assessment (CIPA) team was consulted on the Cabinet paper seeking initial policy approval and it confirmed that the CIPA requirements do not apply to the initial proposal as it was not expected to result in any significant, direct emissions impacts.

### Consultation

- 20 The following departments and agencies have been consulted on this paper: the New Zealand Transport Agency, the Treasury, and the Parliamentary Counsel Office.
- 21 The Department of the Prime Minister and Cabinet have been informed.

### Population Implications and Human Rights

- 22 No population implications or human rights considerations arise from this paper.

### Use of external resources

- 23 The Ministry of Transport prepared this paper and no external resources (such as contractors or consultants) were engaged.

### Communications

- 24 The Minister of Transport will make a statement at an appropriate time.

**Proactive release**

25 I propose to proactively release this paper with appropriate redactions under the Official Information Act 1982 within 30 business days of final decisions being confirmed by Cabinet, in line with guidelines from the Cabinet Office.

**Recommendations**

The Minister of Transport recommends that Cabinet:

- 1 **note** the Transport and Infrastructure Select Committee have amended clause 15(2) to change the rate of road user charges for plug-in hybrid electric vehicles to \$38 per 1,000 km;
- 2 **note** this change is not consistent with the policy approvals given by Cabinet on 18 December 2023 [CAB-23-MIN-0494] which provided for road user charges for plug-in hybrid electric vehicles at a rate of \$53 per 1,000 km;

AND

- 3 **note** the Minister of Transport will issue drafting instructions for an Amendment Paper to amend clause 15(2) to change the rate of road user charges for plug-in hybrid electric vehicles to \$53 per 1,000 km (**30 percent discount**) as consistent with the policy approvals of 18 December 2023;

OR

- 4 **agree** to accept the bill as reported back from the Transport and Infrastructure Select Committee, providing road user charges for plug-in hybrid electric vehicles at a rate of \$38 per 1,000 km (**50 percent discount**);
- 5 **note** an Amendment Paper would not be required if recommendation 4 is agreed to;

OR

- 6 **agree** to vary the rate approved by Cabinet on 18 December 2023 for road user charges for plug-in hybrid electric vehicles from \$53 per 1,000 km to \$46 per 1,000 km (**40 percent discount**);
- 7 **invite** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office for any Amendment Paper consistent with recommendation 6.

**Authorised for lodgement**

Hon Simeon Brown  
Minister of Transport



# Cabinet

## Minute of Decision

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### Update on the Road User Charges (Light Electric RUC Vehicles) Amendment Bill

Portfolio                      Transport

On 18 March 2024, Cabinet:

- 1        **noted** that the Transport and Infrastructure Select Committee have amended clause 15(2) of the Road User Charges (Light Electric RUC Vehicles) Amendment Bill (the Bill) to change the rate of road user charges for plug-in hybrid electric vehicles to \$38 per 1,000 km;
- 2        **noted** that this change is not consistent with the policy approvals given by Cabinet on 18 December 2023 [CAB-23-MIN-0494], which provided for road user charges for plug-in hybrid electric vehicles at a rate of \$53 per 1,000 km,
- 3        **agreed** to accept the Bill as reported back from the Transport and Infrastructure Select Committee, providing for road user charges for plug-in hybrid electric vehicles at a rate of \$38 per 1,000 km (50 percent discount);
- 4        **noted** that an Amendment Paper will not be required to give effect to this decision.

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Rachel Hayward  
Secretary of the Cabinet