

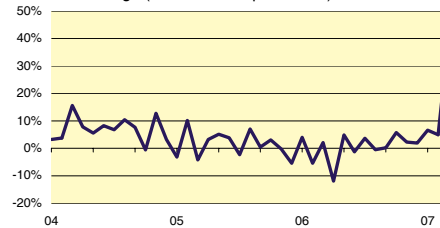
WHAT THE RUC?

The Ministry of Transport's recent decision to give one working day's notice of an 11% increase road user charges (RUC) charges was, at best, poorly thought through. To be clear, it is not the magnitude of the rise that is at issue here – RUC charges for big rigs were last raised in 1989, so operators have little to quibble about in terms of either the size or the need for an increase. Rather it was the decision to wait until the last minute before notifying the industry that has many operators (rightly) up in arms.

So why would the Ministry announce an increase to a significant input cost in such a way that the industry had little or no time to react to it? Perhaps officials were concerned that advanced warning would lead operators to bring RUC purchases forward, thereby delaying the impact of the increase on the tax take. But that being the case, why wasn't notification simply given on the 1st of April and made 'effective as of today'? Why give operators any time at all to react? Alternatively, why not signal the increase well in advance but cap the period that operators can forward purchase

at three or six months? After waiting for eighteen years, another three or six months would surely not be too long a period to wait until becomes effective?

Very heavy truck & trailer RUC
Annual % change (RUC revenue purchases)



Whatever the reason, the negative effects of the Ministry's mismanagement will be most keenly felt by smaller firms. Locked into fixed-price contracts, small firms' relative lack of access to credit will make it more difficult for them to absorb the increase in costs. Access to credit would also

have restricted the amount of RUC small operators could have bought during the tiny window they were given (assuming they were aware and able to, that is). Furthermore, the relative simplicity of buying RUC for larger operators (who were given earlier notice of the impending increase) using the electronic direct connect system means they were better able to take advantage of the short lead in time.

A degree of uncertainty about the trading conditions facing businesses is inevitable. The vagaries of interest rates, the exchange rate, and fuel prices are just some of the variables firms have to deal with everyday. Government regulations ought not fall into this category. Businesses require a transparent, stable regulatory environment in order to invest and prosper. Ramming through an 11% increase to a key input cost after an 18-year wait with one day's notice fills neither of these criteria. **TD**

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Photograph by Dave Ching