

DIESEL TAX TO REPLACE ROAD USER CHARGES?

The recent Road Transport Forum New Zealand conference held in Christchurch called on the Government to review the RUC system and consider a single fuel tax charging regime for diesel vehicles in the light of the Government introducing a recently announced regional fuel tax.

A workshop at the conference considered the issues operators face with the current RUC system.

Drawing on the local experiences and hearing about the system in Australia and the United Kingdom there was strong agreement by the operators present that the New Zealand RUC system has significant unnecessary administrative cost for the operators and the Government.

It is most unlikely the New Zealand Government will wish to change the RUC system as the decision would be a political one and there is no appetite by the Government to make such a change to replace the revenue with another method of collection.

It was the contention of those present that there needed to be less administrative burden (i.e. a simpler way) to collect the revenue to maintain the roads. The operators present, supported by overseas experience, believe a more cost effective way for them and the Government to collect the same amount of revenue would be via a fuel tax.

Making it easier to do business is a catch cry of the Government but it did appear that officials charged with the collection of the RUC revenue had not done any cost impact studies on the New Zealand system.

Operators provided examples of unnecessary administrative costs they incur e.g. off road claims, faulty hubometres, tolerance and inconsistency issues with road side weighing and audit weighing issues.

The debate was healthy and plenty of evidence was provided that the system costs the operators a considerable amount of time to administer. This year's business compliance cost survey has shown that small companies' compliance cost burden is three times higher for a small business than a large one. The burden for small companies with fewer than 10 staff equates to \$2,400 per employee while companies with more than 50 staff the cost is \$780 per employee. Many transport businesses in New Zealand are at the smaller end of this scale so the cost to them of doing business is unnecessarily high. It was the strong contention of those present at the workshop that the cost of collecting the RUCs is unnecessarily high.

Plenty of the operators thought the inclusion in the diesel tax would result in a reduced cost for them. Clearly it is achievable as the remit to the conference noted the Government are implementing regional fuel taxes as a means of collecting revenue for the roads.


It was clear from the presentation a considerable amount of administrative time is spent by the Government agency recovering the RUCs on the light commercial market. Having the cost in the fuel price would significantly simplify this.

The upfront payment of RUCs places cashflow and administrative burdens that would be overcome in the fuel tax pricing arrangement. With fuel purchased on a credit basis operators would see a reduced working capital requirement and a significant saving in time.

Issues discussed included the impact on operators who service the rural and more hilly terrain. Here the cost of the fuel may increase the rates they need to charge due to the additional fuel consumed. Operators who have off road claims may find they do not recover a portion from the off road work as they do now. These systems, whilst now claimed through electronic arrangements would be likely to disappear. Not a pleasant thought for those providers to the industry that clip the ticket by providing surveillance systems to electronically calculate the reclaims of road user charges.

It was also noted fuel tax increases could be introduced more often and regularly where as RUCs have been maintained at the same level for a considerable time. Using the fuel tax method rate changes could occur regularly.

The RTF have worked with the Transport Minister's staff and now have agreement that Road User licences over 3.5 tonnes will be invalid one month after an increase which places more equity and prevents gaining an advantage on fellow operators using the strength of cashflow availability.

It will be interesting to see what progress, if any, can be made on the remit for RUCs to be replaced by a single fuel tax charging regime. 

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