

Questions and answers

Increases to fuel excise duty (FED) and road user charges (RUC)

How can I find out what my new rate will be?

Check out the [full list of the new rates](#) (PDF, 40 KB) or ring the help-desk at the RUC Contact Centre on 0800 655 644 Monday to Friday 8am to 6pm.

Why does there need to be an increase in charges?

In March 2009 the government announced it would not proceed with regional fuel taxes and would instead make smaller increases to fuel excise duty and road user charges to make more funding available for roading projects across the country. The increase in RUC and FED rates is needed at this time to fund increased investment in the transport network.

When will the increases take effect?

1 October 2009.

How much is FED being increased?

Fuel excise duty is being increased by three cents per litre. The current rate of FED is 42.524 cents per litre. From 1 October 2009 the new rate will be 45.524 cents per litre.

Does the FED increase apply to CNG and LPG?

No. The increase only applies to fuel containing motor spirit with a research octane number less than 95 (regular grade) and motor spirit with a research octane number greater than 95 (premium grade).

What are the actual RUC increases?

The overall average increase in RUC is seven percent, the same as the percentage increase in petrol excise duty that is being implemented at the same time. The exact increases to RUC will vary for different vehicle types according to their size, weight and axle configuration.

There are no increases for unpowered vehicles (trailers).

For most powered vehicles weighing up to ten tonnes gross, RUC increases will be ten percent, with lower rates of increase for higher weights.

For a two tonne (small) diesel car, it will cost an extra \$36.10 to drive 10,000 kilometres or 0.36 cents more per kilometre.

For a larger vehicle such as a three tonne SUV it will cost an extra \$37.70 to drive 10,000 kilometre or 0.38 cents per kilometre.

Check out the [full list of the new rates](#) (PDF, 30 KB) or ring the help-desk at the RUC Contact Centre on 0800 655 644 Monday to Friday 8am to 6pm.

What will this increase mean for owners of diesel vehicles?

Most RUC rates will increase, except for trailers. The exact increase to RUC depends on the weight and axle configuration of your vehicle. Check out the [full list of the new rates](#) (PDF, 30 KB) or ring the help-desk at the RUC Contact Centre on 0800 655 644 Monday to Friday 8am to 6pm.

What will this mean for operators of heavy vehicles?

RUC represents about ten percent of the total costs for road transport operators (the largest costs are wages and depreciation).

The 1 October RUC increases will add three to six percent to the RUC payable for combination vehicles running at maximum weights – this represents an increase of 0.3 to 0.6 percent to total operating costs.

For some operators RUC will be a higher proportion of costs, or their vehicle fleet will have higher average increases in rates. For them the increase will have a slightly larger impact, but this is still unlikely to be much more than one percent of total operating costs.

What will this mean for owners of light diesel vehicles (cars, vans and SUVs?)

For an average two tonne diesel car, the October 1 increases will result in an average additional cost of \$3.61 per 1,000 kilometres driven. A larger vehicle such as a 3 tonne SUV will cost an extra \$3.70 to drive 1,000 kilometres, or 0.37 cents per kilometre. These are expected to increase total running costs by between 0.4 and 0.8 percent.

What happens to existing RUC licences when charges increase on 1 October 2009?

RUC licences for heavy vehicles will expire one month after the date of the increase. RUC licences for light vehicles (3.5 tonnes and under) will not expire.

Will heavy vehicle operators lose money when their licences expire?

No. Heavy vehicle operators will receive an automatic refund in the form of a credit on any unused portion of the RUC licence when they purchase their new licence.

How can I be sure this increase in RUC is fair?

The average increase in RUC of seven percent is the same as the increase in petrol excise duty.

The variation in increases for different weights and types of vehicles is due to differences in the amounts of costs attributed to different types of vehicle by the Ministry of Transport's cost allocation model however the RUC increases are substantially lower than those indicated by the cost allocation model.

Some diesel users will pay more, and some less, in RUC, than equivalent petrol vehicles pay in excise duty. This is the result of having two charging systems, one based on distance travelled and the other on fuel consumed.

What is the cost allocation model?

The cost allocation model (CAM) is a mechanism designed to apportion the costs incurred under the National Land Transport Programme in a given year between vehicles of different types, according to the differences in the costs they generate for the road network.

Will FED and RUC be going up again next year?

When the government agreed to increase RUC and FED in 2009, it also agreed that there would be a further three cent per litre increase in FED, and an equivalent increase in RUC in October 2010. The exact amount of any RUC increase at that time will take into account further work that is to be done on the Ministry of Transport's cost allocation model following on from the RUC review.

How will RUC licence holders know when charges have increased?

As a result of an amendment to the Road User Charges Act 1977, the government is required to give six weeks notice of increases to RUC. Notification will be in the *Gazette*.

How does biodiesel work within this system?

Biodiesel is currently blended with regular diesel. There is no roading tax on diesel or biodiesel as these costs are met through RUC. This will continue to be the case.

Diesel car users

Am I still better off driving a diesel car?

The average petrol car uses about ten litres of petrol to cover 100 kilometres. After the 1 October increase in petrol excise, this will generate \$5.12 in petrol excise duty, including GST.

The cost of RUC to cover the same 100 kilometres, at the proposed rates, will be \$3.97 for a two tonne vehicle (a small car) and \$4.15 for a three tonne vehicle (a large car).

The benefits of running a diesel vehicle increase further once their superior fuel economy is taken into account. Fuel consumption tests generally give results between 20 and 30 percent better for a diesel engine car compared to the same model with a petrol engine.

Why not take diesel cars out of the RUC scheme?

The recent independent review (the Review) of the RUC system considered this option carefully, but decided that, on balance the existing RUC scheme should be retained. The report of the Review can be found at:

www.transport.govt.nz/news/newsevents/Documents/RUC-Final-Report.pdf.

Taking diesel cars out of the RUC scheme would mean placing a tax on diesel.

It is estimated that 36 percent of diesel is used off-road. It would not be an equitable system to make non-road users pay a tax to be used on roads, therefore a refund system would have to be set up. This would involve significant administrative costs and compliance costs for people outside the transport sector.

Any refund system would be complex to administer and potentially susceptible to fraudulent claims.

How does the Review of road user charges affect this and future RUC increases?

Some changes have been made to the Ministry of Transport's cost allocation model as a result of the Review's recommendations. The main impact of those changes is that RUC rates for trailers are being held at existing levels.

The exact amount of any RUC increase in 2010 will take into account further work that is to be done on the cost allocation model as a result of the Review.

Background Q & As

What is RUC and what is it used for?

Road User Charges (RUC) are paid on all diesel vehicles and on all vehicles over 3.5 tonnes. The RUC system was established in 1978.

All the revenue from RUC goes into the National Land Transport Fund (NLTF). The fund is used mainly for road construction and maintenance, along with other activities benefiting road users.

RUC rates are set according to vehicle types and weights and vary in proportion to the roading costs to the network related to different vehicles. This is intended to encourage transport operators to make efficient choices when transporting freight, ie to use vehicles that balance direct operating costs and damage to roads.

How is RUC collected?

RUC is collected by NZ Transport Agency (NZTA) agents, such as NZ Post shops and the Automobile Association and via the NZTA's website. It's a bit like car registration except that you don't get a reminder, and you have to pay it according to the distance on your odometer (or hubodometer for vehicles over 3.5 tonnes). It is enforced through NZTA and Police checks.

What is revenue collected from RUC used for?

All revenue gathered from RUC goes into the NLTF which funds central government expenditure on transport.

Increases in RUC will ensure that diesel users continue to pay their fair share of land transport costs.

Why do different weights and types have different RUC licence costs?

All other things being equal, the heavier a vehicle is the more damage it does to the road surface. Other factors however also make a difference. In particular, the number of axles and tyres that a vehicle has affects road wear.

For example, a four-axle truck with two double sets of wheels at the rear spreads its weight across the ground more evenly than a truck with fewer axles and wheels, and thus causes less wear and tear on the road.

Why is the increase more for some vehicle weights?

Over the years RUC rates have not always been adjusted at the same time or on the same basis. This has resulted in a loss of alignment across weight classes. The 2008 adjustment in RUC only partly corrected this misalignment and still left most vehicles under ten tonnes paying less RUC than indicated by the Ministry of Transport cost allocation model.

In addition, the recent independent review of the RUC system made some recommendations for change to the RUC cost allocation model. Some changes have been made that result in small transfers of costs from trailers to powered vehicles and from vehicles over ten tonnes in weight to vehicles under ten tonnes.

The adjustments made in this round of increases are no more than 35 percent of the increases indicated by the cost allocation model.

Further work is to be done to ensure that the cost allocation model is completely robust before any further increase in RUC occurs.

Where can I find more information about this?

- read [Factsheet 38 Road user charges: 1–6 tonne vehicles](#)
- read the [Road user charges booklet](#)
- phone our RUC contact centre on 0800 655 644.

Last updated: 8 September 2009