



Office of Hon Simon Bridges

MP for Tauranga

Minister of Energy and Resources

Minister of Transport

Deputy Leader of the House

Associate Minister for Climate Change
Issues

Associate Minister of Justice

17 FEB 2015

Cameron Pitches

cam@bettertransport.org.nz

Dear Cameron

Thank you for your email of 15 January 2015 regarding a variable fuel tax to raise additional revenue.

Unfortunately, there are a number of issues with a variable fuel tax that means it would have unintended consequences and be difficult to implement.

Currently, vehicle owners are taxed for their use of the road network. These taxes are based on fuel consumption by petrol vehicle owners (through petrol excise duty), and on kilometres travelled by diesel vehicle owners (through road user charges). This is designed to match the costs of roads to those who use them, and raises more money for further projects when people drive more. A variable fuel tax based on the price of petrol would reduce the link between tax and road use.

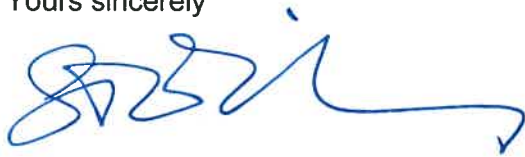
Another unintended consequence arises in times of slow economic growth. Before the recent price falls, the last significant petrol price fall was in 2008 during the global financial crisis. A variable fuel tax would have taxed people more at a time of increasing unemployment and uncertainty.

A further obstacle is that fuel prices vary across the country. It would be unfair to levy different tax rates on road users based solely on where they are located. Alternatively, a tax could be levied at the point of entry into New Zealand, but this would not be practical as there is a lag between when the tax is collected (when the price might be high) and when the fuel is purchased in the market (by which time the price might be low).

A variable fuel tax also discourages competition, where companies selling petrol at lower prices would face higher taxes.

I note your point on the need to address climate change. The Government is committed to reducing transport related emissions and reliance on traditional fossil fuels. Through the Government Policy Statement on land transport 2015, the Government has increased investments in walking, cycling, and public transport in part to reduce environmental impacts including climate change. Additionally, the Government has committed to an exemption from road user charges for electric vehicles until 2020.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Simon Bridges', with a long horizontal flourish extending to the right.

Hon Simon Bridges
Minister of Transport

Copy to: Hon Nikki Kaye
Member of Parliament for Auckland Central