

MIN-^{Corrected to 4421} Meeting with ERoad

4 April 2024

Provide advice to support the Minister's meeting with Mark Heine and Peter Carr (EROAD Ltd) regarding new technologies for State Highway Road charging infrastructure.

NZ Transport Agency Waka Kotahi (NZTA) response:

- EROAD is an NZX and ASX-listed company which provides a fully integrated road charging and tolling service, based in Auckland. EROAD are an agent of NZTA to issue RUC licences electronically through the EROAD eRUC solution. EROAD is one of several companies which provide a similar service, though it is the largest such service provider in the New Zealand market.
- NZTA is exploring in-vehicle technology solutions and the associated technology options, as a priority of the NZTA Digital strategy and signalled through NZTA's Briefing to the Incoming Minister.
- In-vehicle technology has the potential to transform the land transport system and the way we manage our system and services. There are many technologies available today that enables a vehicle to integrate with the transport system (i.e., data directly from vehicles, as opposed to from cameras and sensors). Over time, this type of technology should reduce the need for physical infrastructure investment (e.g., roadside cameras and sensors).
- The benefits of in-vehicle technology solutions are being realised in several countries, delivering efficiency and effectiveness, and improving outcomes such as safety, congestion, emissions reduction, and revenue collection.
- In-vehicle data (such as EROAD's offering) is an important demand dataset that NZTA wishes to utilise. We are working with Transport Certification Australia (whom NZTA is a shareholder of through Austroads), to enable a 'trusted aggregator' of telematics data at a system level, and to deliver efficiency, effectiveness, and improved productivity through the freight sector. We note that EROAD is not currently accredited with TCA and would advocate for them to do so.
- Example use cases includes using the demand profile (from the aggregate data) combined with road network condition data, to identify priority road maintenance and renewals for more effective investment decision making for NZTA and RCAs. This technology could also improve permitting and route visibility, allowing for a higher degree of accuracy, ease of use and less administrative overhead, allowing for more efficient and safe journeys for commercial operators.
- We would welcome the opportunity to brief the Minister on the work we have done to date and particular use cases we are wanting to trial as proof of concepts in a New Zealand context.

Noted by Minister ☐



19 March 2024

Meeting between Hon Simeon Brown, Minister of Transport, and Mark Heine, CEO EROAD Ltd

Meeting date: Thursday, 11 April 2024, 10.30am-11.00pm

EROAD attendees: Mark Heine (CEO), Peter Carr (Director Regulatory)

Proposed agenda

1. Introductions (All)
2. Brief introduction to EROAD (Mark)
3. Overview of how we think EROAD can help the Government (Mark)
4. Minister's questions and open discussion (All)

EROAD representatives

Mark Heine, Co-Chief Executive Officer



Mark began his tenure as CEO in June 2022. Mark joined EROAD in 2015 after establishing himself as a highly regarded lawyer in New Zealand and Australia.

Mark has experience across a range of legal areas including corporate, commercial, mergers and acquisitions, litigation, privacy, intellectual property, and antitrust.

Direct line: s 9(2)(a)

Peter Carr, Director Regulatory



Peter joined EROAD in 2018 after a 22-year career in the New Zealand Public Service.

Peter is experienced in matters of road funding and revenue policy and practice, from his time in the Ministry of Transport, as an instructor on the topics with the International Road Federation, and his involvement with EROAD's eRUC services and overseas RUC pilots.



About EROAD

In 2023:
<ul style="list-style-type: none">• We facilitated 40% of all RUC transactions in NZ: 1.38 million individual RUC transactions, both electronic and paper.• The value of these transactions to the Government was \$725 million, up from \$18 million in our first full year of operation (2010).• We have collected a total of \$5.67 billion in RUC over the last 14 years at no cost to government.

EROAD is a fully integrated technology, tolling and services provider, based in Auckland, New Zealand. EROAD is listed on the New Zealand Stock Exchange (NZX) and Australian Stock Exchange (ASX) under the stock symbol of ERD.

We were the first company in the world to implement a GNSS/cellular-based road charging solution across an entire country. We design and manufacture in-vehicle hardware, operate secure payment and merchant gateways and offer web-based value-added services.

EROAD modernises road charging and compliance for road transport by replacing paper-based systems with easy-to-use electronic systems. We are the largest provider of road user charges (RUC) compliance in New Zealand, and a leading provider of health and safety compliance and fleet management solutions. Today we support over 123,000 connected vehicles in New Zealand, and an additional 127,000 vehicles across Australia and North America.

Our technology was funded solely through private capital. Unlike counter agents EROAD and other eRUC providers meet the full cost to deliver RUC services without payment from the Government.

In addition to meeting all our own costs, s 9(2)(b)(iii), s 9(2)(ba)(i)

[REDACTED]

From its inception, eRUC has recognised and been designed to manage privacy concerns surrounding location data and the wide range of other personal and commercially sensitive information we gather for and from our customers. At EROAD we recognise that the general public's privacy concerns are, in some ways, the opposite of those of commercial enterprises. Nonetheless, we have extensive experience and a strong track record of high performance in assuring the security and privacy of data and its responsible use.

We have global experience. We have leveraged our RUC services to introduce electronic Weight Mile tax service in Oregon, USA, and to support heavy vehicle RUC trials in South Australia, as part of the Australian national RUC pilot, in California, and in support of



multiple phases of the Eastern Transport Coalition multi-state RUC pilot along the eastern seaboard of the US.

There are many examples of other significant benefits that result from our technologies:

- **eRUC is saving the economy at least \$6.6m per annum (in 2020 terms)** in administration dead-weight costs, an estimated saving of 23.8%.
- EROAD's technology has helped make New Zealand's roads safer. The reductions in excessive speeding alone are worth an estimated **\$13 million per annum to New Zealand in avoided road harm and trauma.**
- EROAD customers report meaningful savings in fuel costs derived from adopting telematics, through reduced idling, better vehicle tasking, and even right-sizing their fleets.

How we think EROAD can help

We know where the current controls on eRUC stand in the way of cost-effective light vehicle solutions

Current eRUC requirements were designed with the operational demands and revenue risks of the heavy commercial sector in mind. The light fleet poses different risks and, historically, successive governments have been comfortable tolerating greater risk from both the petrol and non-petrol light fleets. An affordable eRUC solution is likely possible by adopting more permissive controls on eRUC systems for private light passenger vehicles.

We know many areas where there is still public value to be gained from further evolving eRUC

In many ways, the current controls attempt to mimic the paper-based system rather than fully utilise the capabilities of an electronic system. Requirements to carry and display licences are the clearest example, as everything already exists for compliance and enforcement to happen without relying on a visible token.

We know what GNSS/GPS is capable of and how to work with it

GNSS (GPS) is a very mature technology that we understand well. Our direct collaboration with our customers has allowed us to realise holistic solutions that deliver industry-leading health and safety and sustainability outcomes on top of the efficiency improvements it has enabled with regulatory systems like electronic logbooks and eRUC.

Our customers already use GNSS-enabled tools like geo-fencing with a precision and fidelity that well demonstrates the technology's ability to deliver time and location-based charging with a finesse and scalability not available to traditional e-tolling systems.

We know we don't have 'the' answer

eRUC and other road tax systems around the world have a common logic at their core but vary in their specific designs. Our involvement in overseas RUC pilots, along with our familiarity with charging schemes in the United Kingdom, Europe and Singapore, has revealed time and again both 'what works' in general, and that the specific solutions need to be tailored to fit the context.

We recognise that we have been fit into a box – eRUC for heavy commercial vehicles. ^{s. 8(2)(b), s. 9(2)}

[REDACTED]

We can see the appeal of using existing tolling capabilities for short-term or small-scale pricing experiments. But these systems are not scalable. They are expensive to install and operate, especially in locations of limited daily traffic flows (under 20,000 vehicles per day). Globally, governments have shown greater willingness to open these issues to greater private sector involvement and competition. eRUC type systems lend themselves to this far more than traditional tolling approaches.

We would welcome the opportunity to contribute to thinking about more cost-effective medium to long-term solutions which provide the Government with greater optionality around the outcomes it might pursue.

The potential challenges to navigate

Updating the revenue system will require many questions to be answered:

- How to really allow the private sector to assist in delivery
- How to avoid sub-optimal public investment and ensure optionality and futureproofing
- How best to minimise the impact of the transition from Fuel Excise to RUC
- How to ensure a RUC regime is as equitable as possible
- How to ensure compliance and revenue collection is as seamless as possible
- How to take the public along on the journey and assuage their concerns over cost, equity and privacy.

We are keen to understand what you want to solve for, what the bottom-line requirements are and why, and what your risk tolerances are.

END