



Report 07.185
Date 17 August 2007
File TP/11/01/02

Committee Regional Land Transport
Author Jill M. Beck Manager, Transport Strategy
Implementation

Tax Reform – Removing Barriers to Sustainable Transport

1. Purpose

The purpose of this report is to seek the committee's support for advocating proposed Fringe Benefit Tax (FBT) changes for employers implementing workplace travel plan measures that encourage employees to shift to sustainable modes of transport to work. The proposal has been prepared by officers of Greater Wellington (GW).

2. Significance of the decision

The matters for decision in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

Workplace Travel Plans are recognised internationally as an effective sustainability tool that enables employers to address their individual transport issues and reduce single occupancy car use. In New Zealand the emergence of workplace travel plans has occurred rapidly. This has been through formal programmes developed and managed by regional councils such as GW's Travel Plan and ARTA's Travelwise Programmes, as well as The Sustainable Business Network, and more recently Ministry for the Environment's Govt3 Transport initiative towards carbon neutrality.

The general aim of workplace travel plans is to promote and encourage sustainable travel choices by employees. Choices include public transport, walking, cycling and car pooling. The travel plan measures that have proven to be most successful in achieving long term travel behaviour change include provision of incentives, products and subsidies to encourage employees to use public transport, cycle, walk, carpool or work from home.

It has been found that, through travel plan programmes in New Zealand and overseas, the provision of subsidies and incentives are the most effective initiatives that employers can implement to encourage employees to reduce their car trips. Both the Wellington and Auckland regions' workplace travel plan data offers evidence that subsidised transport is one of the top two measures that workplaces can implement to encourage their employees to reduce car trips.

Fringe Benefit Tax (FBT) currently applies on these types of incentives and is payable by employers who wish to offer them through their travel plan implementation measures. Businesses however are more likely to implement some of these sustainable transport measures if they are not penalised for doing so through the requirement of fringe benefit tax payments.

Achieving behaviour change such as employees leaving their cars at home more often and using more sustainable modes occurs over time. The ongoing implementation of subsidies and incentive measures is essential for travel planning in New Zealand to achieve both individual employer objectives relating to sustainability as well as regional and national environment, social, health, sustainable transport and economic objectives.

4. Policy Framework

Travel Plans and their associated measures are consistent with and are supported by Central Government strategic policies on transport, sustainable development, and climate change including the New Zealand Transport Strategy (NZTS), Land Transport Act 1998, National Energy Strategy (NZES) and New Zealand Energy Efficiency and Conservation Strategy (NZECS).

In this region the national policy framework is supported by the Regional Land Transport Strategy (RLTS) and supporting Implementation Plans. In particular, forming part of the RLTS, the Regional Travel Demand Management Strategy sets out a 10-year plan of projects and actions that seek to reduce the need to travel by private motor vehicle, increase the efficiency of the transport system and influence travel choices that contribute to a more sustainable community. GW's Travel Plan Programme plays a key role in addressing these objectives.

5. Proposal

In order to minimise the barriers to employers promoting sustainable transport initiatives within their businesses and organisations a pilot scheme has been designed.

The proposed pilot scheme involves a combination of tax concessions and FBT applications consisting of the following three elements:

- Fringe Benefit Tax Rebates – Involves rebates to businesses equal to the full value of FBT paid for travel plan incentives offered to employees. These incentives may include subsidised public transport, interest free loans for the purchase of bicycles or annual public transport passes, raingear or cycle products and payments for emergency taxi rides or public

transport for employees involved in carpooling, walking or cycling as a means of travel to work.

- Increased Miscellaneous Fringe Benefits Threshold – Involves increasing the current threshold of \$15,000 available to employers for tax free miscellaneous fringe benefits provided to their employees. This element increases the ability to promote and encourage sustainable modes of travel.
- Application of Fringe Benefit Tax on Employer Car Parks – Involves the application of an FBT rate payable by employers on car parks available to employees. The application of FBT on car parks serves to discourage private vehicle use while the previous elements serve to promote and encourage more sustainable modes.

The Committee's support in advocating to the Government the implementation of this pilot scheme will provide New Zealand businesses implementing workplace travel plans with effective measures to encourage the reduction of car trips and the uptake of sustainable transport activities.

6. Support form Other Regional Council's

To date no other regional council has a developed travel plan programme such as GW's and ARTA's. However, most regional councils and some local councils have been following the progress in these programmes and are keen to develop workplace travel plans in their respective regions and local authorities. Both GW and ARTA are working with Land Transport New Zealand towards finalising a national workplace travel survey template and survey delivery system to assist regional and local councils across the country in advancing workplace travel plans.

In anticipation of other regions promoting travel plan programmes it would be useful to engage with them and seek their support for this proposal.

7. Communication

This report and attachment have been presented at Greater Wellington's Executive Management Team meeting of 23 July. In addition, Greater Wellington CEO Dave Benham presented it to the Regional Chief Executives Group meeting on 10 August. The report and proposal for FBT tax reform met with favourable feedback and support at both of these meetings.

8. Next Steps

The next steps towards encouraging behaviour change through achievable sustainable transport options and moving forward on a more equitable treatment of transport-related employee benefits in New Zealand involves:

- The Committee endorsing the letter in **Attachment 1** which outlines the issues and proposal to the Ministers of Revenue and Finance, Hon. Peter Dunne and Hon. Dr. Michel Cullen, for consideration.

- The RLTC Chairman, on behalf of the Committee, engaging with the Ministers on the proposal.
- The RLTC Chairman, on behalf of the Committee writing to each regional council outlining the key messages of the proposal, providing a copy of the signed letter to the Ministers and inviting them to support this initiative through communication to the Ministers.

9. Recommendations

That the Committee:

1. ***Receives*** the report;
2. ***Notes*** the contents of the report;
3. ***Approves*** the letter in Attachment 1;
4. ***Agrees*** that the RLTC Chairman on behalf of the RLTC commences discussions with Central Government for tax reforms to minimise the fringe benefit tax costs on travel plan measures in line with the Government's transportation and environment policies;
5. ***Agrees*** that the RLTC Chairman writes to the other regions' RLTCs informing them of the approach to Central Government and inviting them to support the pilot scheme to ensure national equity.

Report prepared by:

Report approved by:

Jill M. Beck
Manager, Transport Strategy
Implementation

Jane Davis
Divisional Manager

Attachment 1 - Letter to Ministers of Revenue and Finance