



28 June 2022

OC220522

**Hon Grant Robertson**  
**Minister of Finance**

**Hon Michael Wood**  
**Minister of Transport**

**Action required by:**  
Thursday, 30 June 2022

## **TAKING ACTION ON FUEL PRICES - EXTENDING THE TEMPORARY REDUCTIONS TO PETROL EXCISE DUTY AND ROAD USER CHARGES UNTIL 31 JANUARY 2023**

### **Purpose**

To provide you with a draft Cabinet paper to extend the reductions to petrol excise duty and road user charges until 31 January 2023 and seek decisions about some related matters.

### **Key points**

- Attached for your feedback is a draft Cabinet paper extending the reductions to petrol excise duty and road user charges until 31 January 2023. Consistent with what has been legislated to date, after 31 January 2023, the full rates of petrol excise duty and road user charges will apply.
- Any extension to road user charges needs to be in place by 21 July 2022, so authorisation is sought for Ministers to make decisions over the July recess. Two Ministers need to attend a special meeting of the Executive Council on 18 July 2022.
- We also seek confirmation about some matters:
  - ministerial availability over the July recess to consider the legislative instruments and submission to the Governor-General
  - confirmation that the half fare public transport scheme is not to be extended (due to the implementation of Community Connect)
  - confirmation that there will be no extension to the track user charges reimbursement
  - funding the National Land Transport Fund for reduced revenue <sup>s 9(2)(f)(iv)</sup>
  - steps to prevent and address the excessive purchase of road user charges – specifically, <sup>s 9(2)(f)(iv)</sup>

s 9(2)(f)(iv)

s 9(2)(f)(iv)


## Recommendations

We recommend you:		Minister of Finance	Minister of Transport
1	<b>consider</b> the draft Cabinet paper that proposes to extend the reductions to petrol excise duty and road user charges until 31 January 2023	Yes / No	Yes / No
2	<b>provide</b> feedback on the draft Cabinet paper, including the Ministers available over the July recess to make decisions and attend the Executive Council on 18 July 2022	Yes / No	Yes / No
3	<b>agree</b> to lodge the final version of the Cabinet paper	Yes / No	Yes / No
4	<b>agree</b> that the draft Cabinet paper does not seek a further extension of the half-fare public transport scheme beyond 31 August 2022	Yes / No	Yes / No
5	<b>agree</b> that the draft Cabinet paper does not seek a further extension of the track user charges reimbursement beyond 31 August 2022	Yes / No	Yes / No
6	<b>agree</b> to write to the Chair of KiwiRail to communicate the decision on track user charges reimbursement	Yes / No	Yes / No
7	<b>agree</b> that the draft Cabinet paper signals that the rate of reduction/discount could be adjusted at any time (including if fuel prices materially decrease over the coming months)	Yes / No	Yes / No
8	s 9(2)(f)(iv)	Yes / No	Yes / No
9	s 9(2)(f)(iv)	Yes / No	Yes / No

10 **agree** to copy this briefing and the attached draft Cabinet paper to the Minister of Customs.

Yes / No

Yes / No



Marian Willberg  
**Manager Demand Management and Revenue, Ministry of Transport**

..28/06/2022....

Hon Grant Robertson  
**Minister of Finance**

..... / ..... / .....

Hon Michael Wood  
**Minister of Transport**

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**Minister's office to complete:**

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

**Comments**

**Contacts**

Name	Telephone	First contact
Andrew de Montalk, Advisor, Demand Management and Revenue, Ministry of Transport	s 9(2)(a)	✓
Marian Willberg, Manager, Demand Management and Revenue, Ministry of Transport		

## **TAKING ACTION ON FUEL PRICES - EXTENDING THE TEMPORARY REDUCTIONS TO PETROL EXCISE DUTY AND ROAD USER CHARGES UNTIL 31 JANUARY 2023**

### **Attached is a draft Cabinet paper for your feedback**

- 1 It is proposed the Cabinet paper will go directly to Cabinet on **4 July 2022**. The Cabinet paper seeks approval to extend the reduction to petrol excise duty and the equivalent reduction to road user charges until 31 January 2023.
- 2 As the Order in Council for road user charges needs to be in place no later than 21 July, the draft Cabinet paper seeks authorisation for Ministers to:
  - 2.1 consider and approve the submission of legislative instruments to the Executive Council
  - 2.2 submit, and a Minister to recommend the making of all instruments to the Governor-General.

### **Confirming that Ministers are available to consider the proposed legislative instruments and make recommendations to the Governor-General at the Executive Council on 18 July 2022**

- 3 The draft Cabinet paper seeks authorisation for two Ministers to make decisions, including submitting all relevant legislative instruments to the Executive Council, over the July recess. This is necessary because there is no Cabinet meeting before 21 July 2022, when the road user charges Order in Council needs to be in place.
- 4 A special meeting of the Executive Council has been scheduled for 18 July 2022. We understand the Minister of Finance may be available but the Minister of Transport is unavailable. There is a quorum requirement of two Ministers to be present (and, ideally, in Wellington) at a meeting of the Executive Council so would like the confirm availability to:
  - 4.1 14 July 2022 - consider and approve the submissions of all the instruments to the Executive Council
  - 4.2 18 July 2022 – attend a special meeting of the Executive Council
- 5 We have suggested to your Office if the Minister of Finance is available, consideration could be given to either the Minister of Customs (Hon Meka Whaitiri, who has overall responsibility for excise matters) or the Associate Minister of Transport (Hon Kieran McAnulty) attending in the Minister of Transport's absence.

### **Reconfirming the policy justification for the reductions to petrol excise duty and road user charges**

- 6 On 14 March 2022, Cabinet decided to reduce the rates of petrol excise duty and make equivalent reductions to road user charges. The rationale of reducing the rates

was to provide some immediate relief to the spike in fuel prices, and it was a measure that could be implemented relatively quickly. While the rates were reduced, work would happen on alternative measures to address equity issues associated with fuel price increases and broader cost-of-living concerns.

- 7 On 11 April 2022, Cabinet decided to extend the reductions for two months so that the reductions would end and full rates re-commence in mid-August to coincide with the start of the Cost of Living Payment.
- 8 Given the Cost of Living Payment will be implemented in August, a view could be taken that the original policy rationale for the reductions will soon lapse, and it is necessary to re-articulate or reconfirm the policy rationale for the reductions.
- 9 The draft Cabinet paper proposes that the reductions (and any extension) continue to be justified as an additional short-term measure, despite the implementation of the Cost of Living Payment, to provide:
  - 9.1 some additional assistance to low- or middle-income households experiencing equity issues as high fuel prices persist
  - 9.2 some assistance to other households who may need interim help to adjust or cope with current high fuel prices.
- 10 The draft paper notes that businesses also benefit from the reductions, but the predominant focus of the policy is supporting households and addressing equity concerns.

### **No extension to half-fare public transport is proposed**

- 11 The draft Cabinet paper explicitly states that half-fare public transport will not be extended due to the upcoming implementation of Community Connect.
- 12 The Minister of Transport's Office has asked about the cost of also extending half-fare public transport until 31 January 2023. We estimate extending half fares on public transport from 1 September until 31 January would cost between \$57 and \$71 million.
  - 12.1 In regard to the existing appropriation for half fare public transport, which is \$67 million, Waka Kotahi forecasts spending \$60 million. This means there could be a \$7 million underspend.
  - 12.2 If the rollout of Community Connect was delayed until 1 February 2023, that would save roughly \$10 million from the Community Connect programme appropriation.

### **No further extension to the track user charges reimbursement is proposed**

- 13 The draft Cabinet paper also recommends that there is no further extension to the reimbursement to KiwiRail for the track user charge.

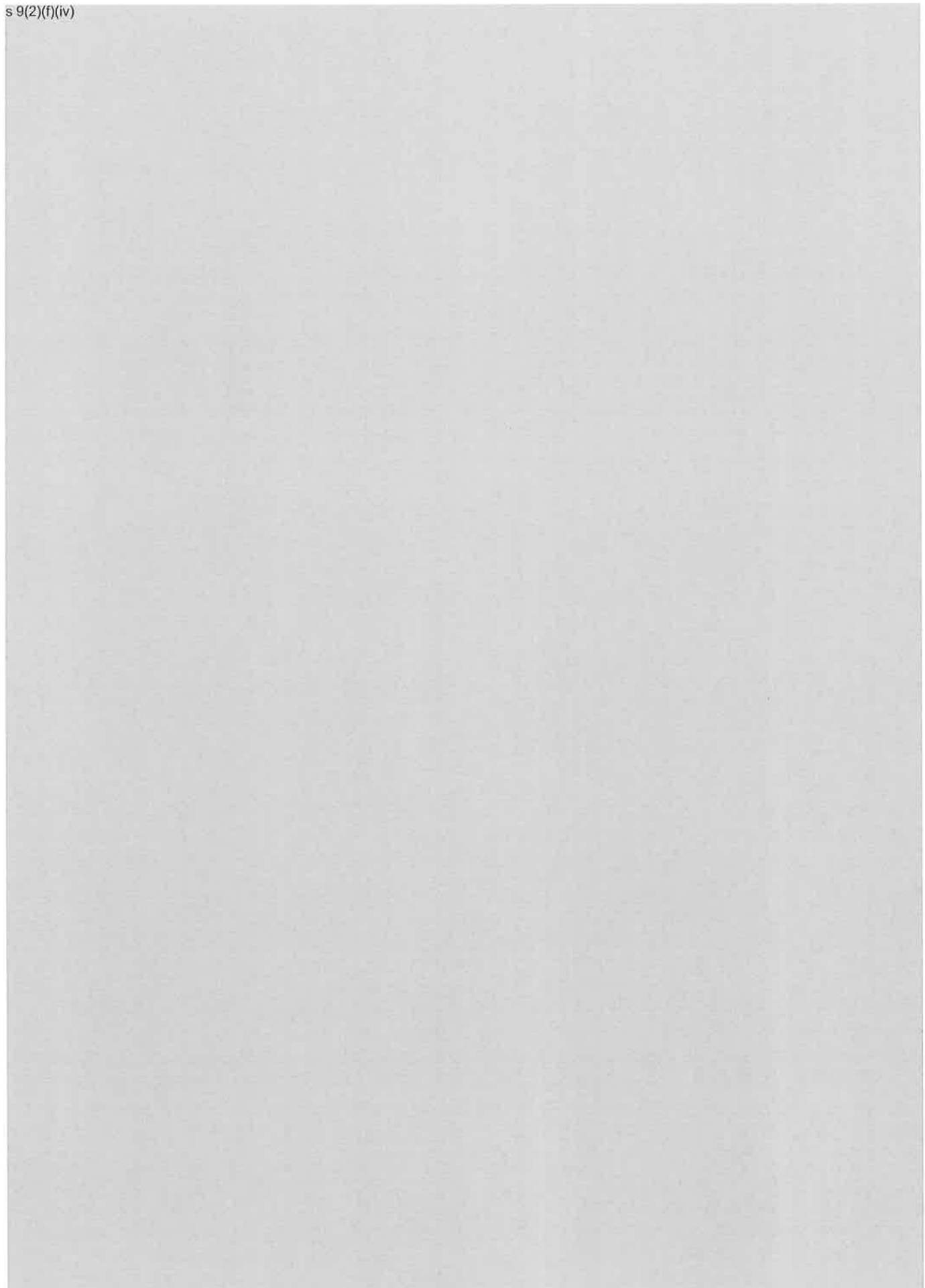
- 14 Officials from the Ministry of Transport and the Treasury have previously advised:
- 14.1 track user charges are already heavily discounted – and rates are not comparable to rates of road user charges
  - 14.2 the reduction to petrol excise duty and road user charges was primarily to support households – KiwiRail, unlike other businesses, is a state-owned enterprise which receives over \$600 million per year from the Crown for capital investment
  - 14.3 reimbursement will have little to no effect on promoting competitive neutrality or parity between road and rail freight.
- 15 However, while the Ministry does not support a further track user charge reduction for KiwiRail (consistent with our earlier position), given the earlier decisions on the previous two reductions, KiwiRail will likely continue to seek a reduction due to the road user charges reduction.
- 16 If Ministers agree not to extend the track user charge reimbursement, we recommend Ministers formally advise KiwiRail of Cabinet's decision before the further reduction to petrol excise duty and road user charges is publicly announced.

s 9(2)(f)(iv)

### **Funding the extensions until 31 January 2023**

- 19 To prevent cuts or reprioritisation of the Government's planned land transport expenditure, it is proposed the Crown will provide top-up funding to the National Land Transport Fund to replace reduced revenue from road users. Funding the extensions has two elements. Waka Kotahi has estimated **\$589 million** will be required to backfill the National Land Transport Fund and **\$1 million** will be required for additional administration.

s 9(2)(f)(iv)



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s 9(2)(f)(iv)

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**Freight stakeholders may express concern that the road user charges reduction period will be slightly shorter in total than the duration of the petrol excise duty reduction**

31 The reduced rate of petrol excise duty was put in place on 15 March 2022, whilst discounted road user charges began on 21 April. It is now proposed that the reductions to petrol excise duty and road user charges will both end on 31 January 2023. This means the duration of the reduced rate of petrol excise duty (10 months and 16 days) is slightly longer than for the road user charges reduction scheme (9 months and ten days).

32 Some members of the freight industry may express concern about this. However, we think having the same end date can be justified for simplicity reasons. As road user charges are purchased in advance, freight operators can run at reduced rates for up to one month after the reduction ends.

s 9(2)(g)(i)


33 When the reduction to petrol excise duty was made on 14 March 2022, the Minister of Energy and Resources wrote to fuel companies urging that the reductions be immediately passed on to consumers at the pump. As you know, petrol excise duty is not a sales tax (collected at the point of sale or at the pump) but a border tax (collected at the border or point of production).

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s 9(2)(g)(i)



s 9(2)(g)(i)



**The continued pass-through by fuel companies of excise duty reductions to consumers will be monitored**

- 37 Arrangements have been made to monitor the continued pass-through of the excise duty reductions from the border (where excise duty is collected) to the pump (where most fuel used on-road is purchased).
- 38 Ministry of Business, Innovation and Employment have advised that monitoring arrangements will be extended automatically (by the extension of the petrol excise duty refund regulations) and that an additional legislative instrument (or amendment) for continuous monitoring is not needed.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

**Next steps and communications**

- 45 We will make changes to the Cabinet paper based on your feedback. Please also advise whether you or the Minister of Finance would like us to prepare speaking notes for Cabinet on 4 July.
- 46 The next steps for your Office, should you agree, are:
  - 46.1 circulate the paper to your ministerial and caucus colleagues
  - 46.2 lodge the paper on Thursday 30 June.
- 47 If the proposal is to be announced at the post-Cabinet press conference on 4 July or later (for example, after the meeting of the Executive Council), we can prepare communications material if required.