

**In Confidence**

Office of the Minister of Transport

Cabinet

**Taking Action on Fuel Prices: Road User Charges (Temporary RUC Reduction Scheme) Amendment Bill Approval for Introduction**

**Proposal**

- 1 This paper seeks Cabinet approval to introduce the Road User Charges (Temporary RUC Reduction Scheme) Amendment Bill. This paper also seeks agreement to reimburse KiwiRail Holdings Limited for the costs of a three-month reduction of the railway track user charges payable under the Land Transport (Railway Track User Charge) Regulations 2021.

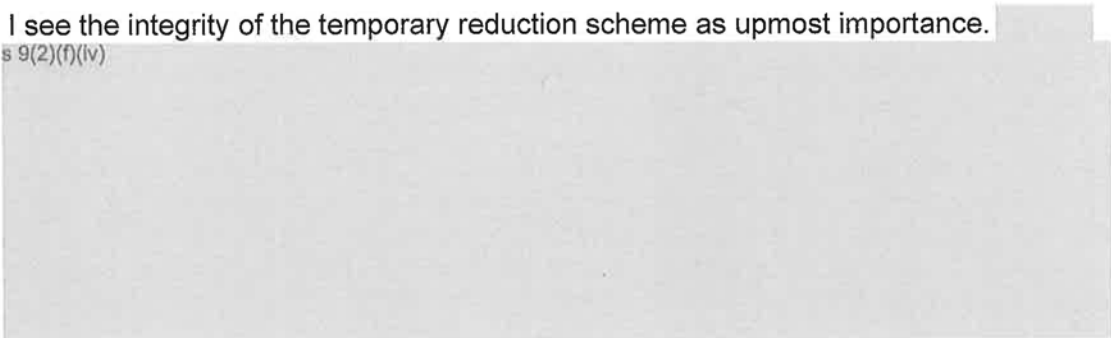
**Relation to government priorities**

- 2 The Government wants to support households and businesses facing high fuel prices. The invasion of Ukraine by Russia and the global economic recovery from COVID-19 is contributing to the real and broad-based cost pressures. The Government is committed to taking action to relieve or offset some of the cost pressures impacting households and businesses.

**Reducing road user charges**

- 3 On 14 March 2022, Cabinet agreed that the rates of petrol excise duty and road user charges be reduced for three months [CAB-22-MIN-0073 refers]. This followed significant increases in the price of petrol and diesel due to international factors (namely, Russia's invasion of Ukraine shocked global fuel supply).
- 4 Cabinet agreed to a 25 cents per litre reduction to the rate of petrol excise duty and an equivalent reduction to road user charges. The reduction to petrol excise duty was legislated that night, and pump prices fell in the following days.
- 5 Due to the complexity involved, reductions to road user charges could not be implemented immediately. There are many rates of road user charges that apply to over 80 different vehicle types. Over the past few weeks, transport officials have been working on an equivalent reduction, so owners of light diesel vehicles and all heavy vehicles also receive some cost pressure relief.
- 6 On 21 March 2022, I provided Cabinet with a verbal update on an equivalent reduction to road user charges, including the range of reduction options canvassed by transport officials (see "Additional Item: Taking Action on High Fuel Prices: Update"). Transport officials advised that the most straightforward way to implement a reduction was by changing primary legislation. The Bill aims to provide relief equivalent to the three-month reduction in petrol excise duty [CAB-22-MIN-0073 refers].

IN CONFIDENCE

- 7 A Bill has now been drafted, and I seek approval for the Bill to be introduced into the House. The draft bill proposes provisions:
- 7.1 to put in place a 36 percent reduction to all legislated rates of road user charges. A 36 percent discount is the equivalent to a 25 cents per litre reduction to petrol excise duty. The Bill instructs Waka Kotahi to apply this percentage reduction across all legislated rates. (Clause 42B).
  - 7.2 the reduction duration is 3 months (from 21 April to 21 July, inclusive). (Clause 42A).
  - 7.3 that at the end of the reduction period, the full rates of road user charges apply (Clause 42C). This is consistent with the approach legislated for petrol excise duty.
  - 7.4 safeguard measures to address and discourage abuse of the reduction (for example, the bulk purchasing of road user charges whilst reduced, and the Bill extends an existing provision that means any road user charges purchased by heavy vehicles at the reduced rate expire one month from the end of the reduction period). (Clauses 42D and 42F).
- 8 It is important that Waka Kotahi exercise effective regulatory oversight of the reduction scheme. Road users will likely be asked to confirm that they are only purchasing the amount needed for travel within three months. The Bill gives Waka Kotahi the ability to issue assessments to any road user who purchases excessive amounts during the three-month reduction period. This means road users will be billed for any excessive distance at the full rate (the difference between the discounted rate and the full rate will be billed). I expect that steps are taken to make this known at the time of purchase to deter or discourage any abuse of the temporary reduction period. The purpose of the temporary reduction scheme is provide road users with diesel vehicles equivalent relief to that provided to owners of petrol vehicles for three months.
- 9 I see the integrity of the temporary reduction scheme as upmost importance.  s 9(2)(f)(iv)
- 10 Waka Kotahi will also incur costs in administering the temporary petrol excise duty and road user charges reduction scheme. I ask Cabinet to agree that Waka Kotahi can use up to \$2.15 million from the existing appropriation to fund administration costs relating to the temporary reduction scheme.

**Reimbursing KiwiRail for a three-month reduction in track user charges**

- 11 I seek Cabinet approval to provide Crown funding to reimburse KiwiRail Holdings Limited for up to \$1.5 million, provided through Vote Transport. This funding is to reimburse KiwiRail for the cost of providing its commercial rail freight customers with a 36 percent reduction in the railway track user charge, payable in accordance with the Land Transport (Railway Track User Charges) Regulations 2021. The

## IN CONFIDENCE

reimbursement will apply for the three-month billing period beginning on 1 April 2022 and conclude on 30 June 2022.

- 12 KiwiRail sought this reimbursement in response to the 36 percent reduction in the road user charges [CAB-22-MIN-0073 refers]. The reimbursement will not impact National Land Transport Fund (NLTF) revenue – as there is no change to the charge payable by KiwiRail under the Land Transport (Railway Track User Charge) Regulations 2021.
- 13 KiwiRail will be advised of the reimbursement, including the administrative requirements and criteria which must be met before payment, through a letter from the Minister of Finance.

### Impact Analysis

- 14 Cabinet's impact analysis requirements apply to the road user charges proposal in this paper. As earlier advised, there is no accompanying Regulatory Impact Statement, and the Treasury has not exempted the proposal from the impact analysis requirements. Therefore, it does not meet Cabinet's requirements for regulatory proposals.
- 15 The Treasury's Regulatory Impact Analysis team and the Ministry of Transport have agreed that a post-implementation assessment will be completed on the reduction to petrol excise duty and road user charges. It is anticipated this will be completed near the end of the 3 month reduction period.

### Compliance

- 16 The Bill complies with the following:
  - 16.1 the principles of the Treaty of Waitangi
  - 16.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993
  - 16.3 the disclosure statement requirements (a disclosure statement has been prepared and is attached).
  - 16.4 the principles and guidelines set out in the Privacy Act 2020
  - 16.5 relevant international standards and obligations
  - 16.6 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.

### Consultation

- 17 Consultation has occurred with the Ministry of Business, Innovation and Employment, the New Zealand Customs Service, the Treasury, Waka Kotahi the New Zealand Transport Agency and KiwiRail. Consultation has also occurred with Parliamentary Counsel Office.
- 18 The Department of the Prime Minister and Cabinet has been informed.

### Binding on the Crown

- 19 The Bill will amend the Road User Charges Act 2012, which binds the Crown.

**Creating new agencies or amending law relating to existing agencies**

20 The Bill does not create a new agency.

**Allocation of decision making powers**

21 The Bill does not allocate decision making powers between the executive, the courts, and tribunals.

**Associated regulations**

22 Regulations will not be required to bring the Bill into operation. The Bill provides for Orders in Council to be made extending the reduction period and [setting a reduced discount to apply during an extended reduction period].

**Other instruments**

23 The Bill does not include any provision empowering the making of other instruments that are deemed to be legislative instruments or disallowable instruments (or both).

**Definition of Minister/department**

24 The Bill does not contain a definition of Minister, department (or equivalent government agency), or chief executive of a department (or equivalent position).

**Financial implications**

25 The reimbursement to KiwiRail for a three-month reduction of the railways track user charges is expected to cost up to \$1.5 million, which will be funded outside of Budget allowances, with a corresponding negative impact on the fiscal position. The size of the COVID-19 Response and Recovery Fund will be reduced by an equivalent amount to offset the negative fiscal impact of this decision.

26 Waka Kotahi administration costs will be funded from the existing appropriation. I am currently considering monitoring and reporting arrangements relating to the revenue impact of the reduction to petrol excise duty and road user charges.

**Commencement of legislation**

27 The Bill will come into force on the day after the date of Royal assent.

**Parliamentary stages**

28 I propose that the Bill be introduced on 4 April 2022 be accorded urgency and passed by no later than 14 April 2022.

**Proactive Release**

29 I propose to proactively release this paper within 30 business days of final decisions being confirmed by Cabinet.

**Recommendations**

30 The Minister of Transport recommends that the Committee:

*Road User Charges (Temporary RUC Reduction Scheme) Amendment Bill*

1. **note** that the Road User Charges (Temporary RUC Reduction Scheme) Amendment Bill aims to put in place an equivalent reduction to road user charges as made to the rate of petrol excise duty;

IN CONFIDENCE

2. **approve** the Road User Charges (Temporary RUC Reduction Scheme) Amendment Bill for introduction, subject to the final approval of the Government caucus and sufficient support in the House of Representatives;
3. **agree** that the Bill be introduced in the week beginning 4 April 2022;
4. **agree** that the Government propose that the Bill be:
  - 4.1. accorded urgency
  - 4.2. enacted no later than 15 April 2022

s 9(2)(f)(iv)

*Funding to Waka Kotahi for Administration costs of the Temporary RUC Reduction Scheme*

7. **note** that on 14 March 2022 Cabinet [CAB-22-MIN-0073 refers]:
  - 7.1. agreed to a 25 cent per litre reduction to the rate of petrol excise duty (and an equivalent reduction to road user charges) for a period of three months
  - 7.2. agreed to top up the National Land Transport Fund to account for the anticipated shortfall in revenue, subject to further work being completed on the decrease in revenue
  - 7.3. agreed to establish a tagged operating contingency as follows in Vote Transport, to provide for the top-up of the NLTF:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
NLTF Crown Funding for Temporary Decrease in Petrol Excise Duty and Road User Charges – Tagged Operating Contingency	350.000	-	-	-	-

8. **authorised** the Minister of Transport and Minister of Finance jointly to draw down the tagged operating contingency in **recommendation 7.3** above (establishing any new appropriations, or changing the scope of existing appropriations as necessary), subject to their satisfaction with the outcome of the further work described in **recommendation 7.2** above

**IN CONFIDENCE**

9. **note** that Joint Ministers are satisfied that the further work in **recommendation 7.2** above has been completed, and agreed to establish established a new appropriation for the contingency funds to be drawn down into:

Vote	Appropriation Minister	Title	Type	Scope
Transport	Minister of Transport	Funding for temporary decreases in Fuel Excise Duty, Road User Charges, Public Transport fares and Railway Track User Charges	Non – Departmental Output Expense	This appropriation is limited to providing operating funding to Waka Kotahi NZ Transport Agency to top up the National Land Transport Fund, to account for the shortfall in revenue as a result of temporary reductions in Fuel Excise Duty and Road User Charges, increased expenditure as a result of temporary Public Transport fare decreases, administration costs, and to reimburse KiwiRail for temporary reductions to Railway Track User Charges

10. **note** that waka Kotahi will incur administrative costs associated with the implementation and monitoring of the temporary petrol excise duty and road user charges reduction scheme, and this is estimated to be \$2.15 million
11. **agree** that up to \$2.15 million of the Funding for temporary decreases in Fuel Excise Duty, Road User Charges, Public Transport fares and Railway Track User Charges appropriation can be used to fund Waka Kotahi for these administration costs

*Rebate to KiwiRail for track user charge*

12. **agree** to reimburse KiwiRail Holdings Limited, following payment under regulation 7 of the Land Transport (Railway Track User Charges) regulations 2021, 36 percent of the amount of railway track user charges paid by KiwiRail Holdings Limited for the period 1 April 2022 to 30 June 2022, limited to a maximum amount of \$1.5 million
13. **note** that the reimbursement to KiwiRail Holdings Limited, limited to \$1.5 million, is expected to be used by KiwiRail Holdings Limited for the costs of providing its commercial rail freight customers with a three-month reduction in railway track user charges for the period 1 April 2022 to 30 June 2022, payable in accordance with regulation 7 of the Land Transport (Railway Track User Charges) Regulations 2021

IN CONFIDENCE

**14. note** that the Minister of Finance and the Minister of Transport (acting jointly) have established an appropriation with sufficient scope to allow for this reimbursement as part of establishing the appropriation for the National Land Transport Fund top up due to the loss of land transport revenue for the temporary reduction in fuel excise duty, road user charges and public transport fares

**15. approve** the following changes to the appropriations to give effect to the policy decision in **recommendation 12** above, with a corresponding impact on the operating balance:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non-Departmental Output Expense: Funding for the temporary decrease in Fuel Excise Duty, Road User Charges, Public Transport fares and Railway Track User Charges MYA	1,500	-	-	-	-

**16. agree** that the proposed change to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply

**17. agree** that the expenses incurred under **recommendation 12** above be funded outside of Budget allowances, with a corresponding negative impact on the fiscal position

**18. agree** to reduce the size of the COVID-19 Response and Recovery Fund by an amount equivalent to the costs of the decisions in **recommendation 12** above to offset the negative fiscal impact of this decision

**19. note** that a letter will be provided to KiwiRail, from the Minister of Finance, which details the process through which the railway track user charges rebate will be administered and criteria which must be met prior to payment.

Authorised for lodgement

Hon Michael Wood

Minister of Transport