

Minister of Finance
Minister of Transport
Minister for State Owned Enterprises

Chair, Cabinet Economic Development Committee

The Future of Rail: Rail Track User Charges

Proposal

1. We seek Cabinet approval to draft regulations, under the Land Transport Act 1998 (the LTA), to implement a track user charge to contribute to the National Land Transport Fund (NLTF).
2. The track user charge will apply to any rail freight operator undertaking rail freight business on the national rail network and will provide funds to support investment in rail network infrastructure under the Land Transport Management Act 2003 (LTMA).
3. In practice, the track user charge will only apply to KiwiRail Holdings Limited (KiwiRail) unless a new rail freight operator begins to operate on the national freight network.

Background

Cabinet previously agreed to implement a track user charge on KiwiRail's freight and tourism operation

4. The proposals in this paper follow Cabinet decisions on the recommendations of the Future of Rail review. Decisions include funding the national rail network through the National Land Transport Fund (NLTF), and in-principle decisions to recover a track user charge from KiwiRail's freight and tourism operation [DEV-20-MIN-0082 refers].

Rail network funding

5. In 2020, the Land Transport (Rail) Legislation Act 2020 amended the LTMA to implement a new planning and funding framework for the rail network. Under the new framework, the rail network will be funded from the NLTF.
6. The NLTF will collect revenue from a track user charge, Crown funding to the NLTF through the annual budget process, and existing NLTF revenue sources.¹
7. KiwiRail estimates that maintaining a reliable and resilient rail network will require on average \$420 million in investment per annum. This includes,

¹ The NLTF collects revenue from fuel excise duty (FED), road user charges (RUC), vehicle and driver registration and licencing, state highway property disposal and leasing, and road tolling. The NTLF is a full cost recovery system and funds investment in land transport activities under the National Land Transport Programme (NLTP).

among other things, track asset renewal, maintenance of bridges and viaducts, tunnels, formation, culverts, retaining walls and other civil works.

8. The Government Policy Statement on land transport 2021 (GPS 2021) has confirmed an annual funding range from existing NLTF revenue of \$120 million to \$170 million for the rail network from the NLTF. A track user charge needs to be set to ensure rail users contribute to the NLTF.
9. The remainder of the funding required will come from Crown funding to the NLTF. Crown funding has been provided through Budget 2020 (\$384.5 million) and Budget 2021 (\$449.9 million) to fund the first three years (2021/22 to 2023/24) of the rail network investment programme (RNIP).

KiwiRail must prepare an RNIP

10. Under the new planning and funding framework every three years KiwiRail must prepare an RNIP that includes the rail activities it seeks to fund from the NLTF.
11. The Minister of Transport is responsible for deciding whether to approve the RNIP, after consultation with KiwiRail's shareholding Ministers and considering advice from Waka Kotahi NZ Transport Agency (Waka Kotahi).

A track user charge is required to support funding of the RNIP

12. A track user charge, initially payable by KiwiRail's freight business, will provide funds for the NLTF to enable it to fund rail activities included in the RNIP.
13. Section 5A of the LTMA defines *rail activity* as activities provided by KiwiRail that relate to railway infrastructure, railway premises, or rail maintenance vehicles, also known as 'below track' infrastructure.
14. The track user charge will ensure KiwiRail contributes to the NLTF in a fair and transparent way to funding rail activities. Revenue generated by the track user charge will flow into the NLTF as land transport revenue.

Funding principles which guided development of the track user charge

15. This Committee was previously advised of seven funding principles which will guide funding decisions for the rail network:
 - 15.1. Funding needs to be sufficient to enable a reliable and resilient rail system, and acknowledge historic under-investment in the network
 - 15.2. Infrastructure costs should be borne by those who benefit
 - 15.3. Funding should be transparent for all parties and the public, and support accountability of all parties

- 15.4. Any track user contribution should be affordable for rail operators and not reduce the use of rail
- 15.5. Funding should be equitable and support inter- and intra-modal competition
- 15.6. Funding should support efficient operation of the infrastructure
- 15.7. The funding system should not impose unnecessary transaction costs.
16. These seven funding principles drove development and consideration of options for setting the track user charge. The accompanying *Cost Regulatory Impact Statement* provides an analysis of options considered.

Applicability of the charge

17. In practice this charge will only apply to KiwiRail as they are the only current rail freight operator on the national rail network. Given that this will only apply to KiwiRail, this Cabinet paper has been drafted with reference to the impacts of the charge on KiwiRail specifically.
18. However, should another rail freight operator begin to operate on the national rail network, the track user charge will also apply.

Options considered

19. We considered five options for the amount to recover from KiwiRail's freight operation via the track user charge. Options ranged from full cost recovery (\$420 million per annum) to no recovery (i.e. no charge).
20. We do not recommend the track user charge apply to KiwiRail's tourism business or tourism and heritage rail operators at this time (discussed further below).

Option One: Full cost recovery

21. Recovering the full cost of maintaining the rail network from KiwiRail's freight business would see the track user charge set at a rate that recovers approximately \$420 million per annum.
22. In theory, this option is seeking to fully fund the network from KiwiRail's freight business. However, we are aware through the Future of Rail review that KiwiRail's freight business cannot fully fund the network to the level required to achieve the Government's broader outcomes from rail. It would also not be able to address the level of catch-up renewal required from previous under-investment.
23. KiwiRail's freight business generated \$371.7 million in operating revenue in the year to June 2020, with total revenues of \$639.2 million across all the companies operations.²

² KiwiRail Integrated Report 2020

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24. Setting the TUC to recover the full cost of network investment (approximately \$420 million per annum) would see freight rates more than double. The Ministry of Transport estimates that on a per tonne-kilometre basis, this would equate to a charge almost four times greater than the equivalent RUC for heavy vehicles.³ This would lead to significant loss for the rail freight business and mode shift from rail to road.

Option Two: Recovery of direct costs plus a mark-up

25. KiwiRail estimates that its rail operations result in approximately \$53 million⁴ in direct wear and tear costs annually to the national rail network. These costs include a portion of capital expenditure and train control costs, which vary with usage.
26. Recovering the direct costs of KiwiRail's freight operations on the network and a mark-up to contribute to the fixed costs would partially fund network investment from users and provide transparency and accountability – as the beneficiaries of rail network investment contribute to that cost.
27. This would see the track user charge set at a rate that contributes between \$53 million and \$420 million per annum in revenue to the NLTF, meaning that under this option KiwiRail would be contributing to both the direct costs of wear and tear, and towards the fixed costs of the network.

Option Three: Recovery of direct costs

28. Recovery of direct costs would see \$53 million recovered annually. It would mean that KiwiRail is at least covering the direct costs of wear and tear related to the use of the rail network.

Option Four: Recovery of direct costs – with an affordable transitional regime

29. Affordability has been a key consideration when developing the track user charge. Prior to the COVID-19 pandemic, Cabinet noted that KiwiRail was only likely to be able to pay a small portion of the total costs of rail activities funded through the NLTF.
30. COVID-19 has also had a negative impact on KiwiRail's business. KiwiRail does not currently generate sufficient cash flows to fully fund its capital programme.

Option Five: No cost recovery

31. No cost recovery, while the best option from an affordability perspective, would result in KiwiRail receiving between \$1.2 billion and \$1.7 billion over the 10-year GPS 2021 timeframe without contributing to the NLTF. This

³ Refer to the accompanying document *Rail Track User Charge Phase 2 Cost Recovery Impact Statement* for a description of how the direct costs of usage were estimated.

⁴ *KiwiRail: Infrastructure variable costs analysis*, 25 September 2020 (Commercial in-confidence).

option does not align with many of the funding principles nor would it support efficient operation of rail network infrastructure.

32. This would also see KiwiRail seek from the Crown through the annual budget process the outstanding funding (of between \$2.5 billion and \$3 billion over 10 years).

Over time, we would like to see KiwiRail's freight operations cover at least its direct costs

33. We consider that over time KiwiRail's freight operations should cover its direct costs of using the rail network plus a mark-up to the point where rail users switch to an alternative mode. This aligns with international approaches, particularly in Europe.
34. Charging the direct costs of usage ensures users of the network contribute a fair amount towards rail activities that are necessary to maintain and operate the network. This would also ensure that the direct costs of usage are transparent and supports economic efficient use of the network.
35. However, we are aware that at this time KiwiRail's freight operation is unable to fund even its direct costs without the likelihood of users switching to the road network.

KiwiRail will require ongoing Crown investment in the national rail network

36. The Crown has begun a large programme of funding KiwiRail's investment in above rail commercial assets over the past three years. Budget 2021 provided significant funding for both rolling stock and network assets to achieve our expectations for a resilient and reliable rail network.
37. The anticipated benefits of this investment will take time to materialise as new rolling stock is commissioned and network performance metrics increase through increased reliability. Over time, as investment is made in KiwiRail's commercial rail assets and the network is brought up to a resilient and reliable state, KiwiRail expects to be able to recover increased levels of the charge from its customers.
38. KiwiRail advises that at present the rail freight market can only afford to contribute to a part of the direct costs of its usage of the network. We are advised by KiwiRail that it considers a charge which recovers \$11.7 million in the first year (2021/22) is affordable, which KiwiRail expects to recover through a surcharge on its freight customers.
39. KiwiRail advises that a recovery of TUC at \$11.7 million would be equivalent to a 3-3.5 percent average surcharge on freight rates in the first year. It is important to note that the charge will apply to KiwiRail; how KiwiRail recovers this from its customers is a commercial decision for the

company. KiwiRail advises that the charge applied to individual customers may therefore be on a different basis to the global rate applied to KiwiRail.

40. In anticipation of implementing the charge, KiwiRail has been working with its freight customers to ensure that they are aware that a charge will apply in future. We expect that the charge will apply from 1 October 2021. Once policy decisions are taken, KiwiRail will work with its customers to advise them of increases to freight rates.
41. The charge also ensures that those who directly benefit from network investment (rail freight users) contribute to the costs of maintaining the network in a fair and transparent way.
42. While we acknowledge that the charge will have an impact on freight rates, it is important that the direct beneficiaries of network investment from the NLTF contribute to the fund.
43. Users of the national rail network will benefit from the increased investment in rail signalled through the NZ Rail Plan and outlined in the Rail Network Investment Programme. This signals investment of over \$4 billion across 10 years, with confirmed funding of at least \$120 million from the NLTF over the next decade (\$1.2 billion over ten years), and over \$830 million already committed by the Crown to fund rail network investment over the next three years (the first RNIP). Future Crown investment is also anticipated to fund the investment programme in out-years.
44. The review process in year three of the TUC implementation will be an opportunity to test affordability and revenue generated by the charge.

A transition regime for the charge is required

45. We are proposing to set the charge for three years with gradual increases each year. The increases will see the charge move towards recovery of direct costs of network usage over a ten-year period, but will not transition to that at this stage.
46. Given the significant level of uncertainty with implementing the new regime and KiwiRail's work to increase its returns from customers, we are proposing to maintain the year three rate in out years pending a further funding review.
47. This would see the charge set to recover \$11.7 million in year one (2021/22), \$16.3 million in year two (2022/23), and \$20.9 million in year three (2023/24). From year four (2024/25) onwards, the charge would be set to recover \$20.9 million.

Table 1: Proposed freight TUC rate (2021/22 – 2030/31)

Year	Freight	GTK	Three	Total NLTF revenue
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B U D G E T S E N S I T I V E

	TUC (per 1,000 GTK)	(1,000)	yearly review	generated (\$m)
2021/22	1.18	9,959,000	-	11.7
2022/23	1.65	9,959,000	-	16.3
From 2023/24 ongoing	2.11	9,959,000	Review	20.9

48. The track user charge will apply on a per 1,000 gross tonne kilometres (GTK) leading⁵ basis to KiwiRail’s freight business, as detailed in table 1 above. This allows for increases or decreases in the charge if there are significant changes in the usage of the network.
49. The charge will be reviewed within three years (consistent with the GPS 2021 timeframe) to test affordability and revenue generated by the charge.
50. Changes in the proposed TUC rates after year three would be considered as part of the funding review.
51. While KiwiRail accepts in principle the payment of direct costs by its freight business through the track user charge (i.e. \$53 million per annum) – KiwiRail’s commercial operations do not currently generate sufficient revenue to cover this cost.
52. It is also likely that if this cost was passed on in full to freight customers without an appropriate transition period (during which KiwiRail expects to deliver improved service levels because of future investment), that this would result in a significant reduction in demand for rail freight services.
53. We consider that the transitional regime strikes the right balance between the seven funding principles guiding development of the charge.
54. The charge will only apply to KiwiRail’s freight business at this time. However, should another rail freight operator enter the market, the track user charge would also apply at the annual rate as specified in the regulations.
55. How KiwiRail recovers the charge from its customers is a commercial matter for KiwiRail.

Regulations implementing the track user charge

56. Regulations are required, under section 167 and 168 of the LTA, to implement the track user charge and enable Waka Kotahi to collect the charge.

⁵ This includes the weight of the locomotive.

57. Section 167(1)(j) allows for regulations specifying the matters for which fees or charges are to be paid under the LTA or any other enactment concerning land transport.
58. Section 168(1)(a) provides that regulations made under section 167(1)(j) may be made to prescribe or provide for the fixing of fees and charges to provide funds for the establishment, maintenance, and operation of facilities, works, goods, and services under a range of land transport Acts, including the LTMA.
59. Section 168(1)(b) allows regulations made under section 167(1)(j) to prescribe or provide for the fixing of fees and charges to meet, or assist in meeting, the costs and expenses incurred by the Agency in the performance of duties under a range of land transport Acts, including the LTA (which includes regulations made under that Act). This will provide for the imposition of a reasonable charge in connection with the administration of the track user charge regime.
60. The LTMA provides for the approval of the RNIP, which outlines the rail activities to be funded from the NLTF. The regulations will prescribe charges (track user charges) to provide funds for the rail activities included in the RNIP.
61. Section 168(4)(g) provides that regulations under section 167(1)(j) may prescribe any returns, and the conditions relating to such returns, to be made by persons by whom any fees, charges, or penalties are payable.
62. Section 168(4)(h) provides that regulations under section 167(1)(j) may identify those fees and charges that are land transport revenue for the purposes of the Land Transport Management Act 2003. This will ensure that the charge collected under section 168(1)(a) flows into the NLTF as land transport revenue.
63. Any charges collected under section 168(1)(b) (to meet the expenses incurred by the Agency in administering the scheme) will not be specified as land transport revenue.

KiwiRail will submit a buyer-created invoice on a quarterly basis outlining the charge to be paid

64. KiwiRail will calculate the track user charge to be paid on a quarterly basis in arrears. KiwiRail will produce a buyer created tax invoice outlining the GTK for the previous quarterly period and will provide a declaration in support of the invoice.
65. The quarterly periods will be 1 July – 30 September, 1 October – 31 December, 1 January – 31 March and 1 April – 30 June. The buyer-created tax invoice and payment for the previous quarter will be due one month after the end of each quarterly period. For completeness, payments and invoices will be due by 31 October, 31 January, 30 April and 31 July for the previous quarterly period.

Waka Kotahi will collect and administer the charge

- 66. Waka Kotahi will be responsible for collecting and administering the track user charge. The revenue generated will be credited to the NLTF.
- 67. In collecting and administering the charge, Waka Kotahi will cover the costs of this activity through an administration charge calculated using the following formula:

$$h \times \$120 = \$c$$

68. where -

- 68.1. **h**: is the sum of the number of hours (including part-time hours) spent by each employee of the Agency administering the track user charge
- 68.2. **\$c** is the administration charge payable

Forward work programme – areas which require further consideration

- 69. Given the wide-ranging and severe impacts that the COVID-19 pandemic has had on the tourism sector, we do not recommend that the charge apply to KiwiRail's tourism business at this time. We also do not recommend the track user charge apply to other tourism and heritage providers that operate on the national rail network.
- 70. Further work is required to consider how the charge may apply to the tourism and heritage sector and KiwiRail's tourism business. It will also be important to ensure that any charge is equitable across the tourism and heritage sector, including KiwiRail's tourism operation.
- 71. Tourist and heritage rail operators that run on the national rail system (NRS) already pay commercially negotiated access charges to KiwiRail, as access provider for the network.
- 72. We need to consider what charges should apply to KiwiRail tourism, as well as other tourism and heritage operators as a sector. However, given the impacts of COVID-19 on the sector we need to take more time to consider what the appropriate charges are.
- 73. We note that KiwiRail will continue to apply access charges to these operators in the meantime, and that the decisions in this Cabinet paper will not prevent these charges continuing.
- 74. The Ministry of Transport intends to progress work on the charges for tourism and heritage ahead of the broader three-year review of track user charges to manage this risk.

Future three-year review work on differential charging

75. As part of the three year review of the track user charges, there are a range of other issues, which the Ministry also intends to consider.
76. One area is the ability to implement a differential charging regime across the national rail network (i.e. different charge rates on different lines – i.e. the Golden Triangle) depending on the mark-up, which can be borne.

Application to metropolitan rail operators

77. Further work is required to consider how the track user charge may apply in a more holistic manner to other rail network users. This includes application to metropolitan rail operators in Auckland and Wellington.
78. We expect that the independent system review into Auckland metropolitan rolling contact fatigue, which is due to report back to the Ministry of Transport mid-2021, will provide further consideration of wider funding issues which led to this issue.
79. The report back will provide further consideration of the wider charging framework for metropolitan rail operators.

Consultation

80. The Select Committee process on the Land Transport (Rail) Legislation Bill and engagement on the draft New Zealand Rail Plan included public consultation on the concept of a track user charge.
81. A majority of submitters supported the concept of a track user charge. However, concerns were raised about the level at which it would be set and how access arrangements are managed.
82. We expect that there is likely to be further pressure from other users of the national rail network, such as heritage, tourism, and metropolitan rail operators, to reduce the current access charges they pay to KiwiRail under commercial contracts.
83. However, the track user charge is different from an access charge. Further work is required to understand what changes are required, if any, to other network access arrangements.
84. The Future of Rail Steering Group (the Steering Group) supported the development of track user charges as part of the new planning and funding framework for the rail network.
85. The Steering Group includes Chief Executives (or their representatives) from the departments consulted on this paper, two independent advisors, and representatives of the Rail and Maritime Transport Union, Auckland Transport, Auckland Council and Greater Wellington Regional Council.
86. The Ministry of Transport prepared this paper. The Treasury, KiwiRail, and Waka Kotahi NZ Transport Agency were consulted. The Department of the Prime Minister and Cabinet has been informed.

KiwiRail comment

87. KiwiRail has advised that its consideration of affordability assumed funding from the Crown in accordance with Budget bids submitted through Budget 2021.
88. KiwiRail advised that if Crown funding through the Budget process was less than required for the resilient and reliable investment programme, then the negative impact for freight service performance would make it very difficult to recover a track user charge.
89. In addition, KiwiRail also advised that if it cannot recover this charge from customers and needs to pay from its own sources, there is a clear financial risk.

Treasury comment

90. The Treasury accepts the policy intent of KiwiRail as a freight operator paying a track user charge into the NLTF.
91. The Treasury considers that at KiwiRail's projected level of above rail financial performance, any track user charge is unaffordable for KiwiRail for at least the next three years as shareholder support is still required over that period for 'business as usual' (BAU) Capital expenditure.
92. This differs from KiwiRail's view of affordability, which assumes that it will be able to on-charge the TUC to its customers without loss of volume, and that the Crown will continue to fund the shortfall for BAU capex.
93. The Treasury's view is that KiwiRail should be pricing at that level irrespective of any track user charge arrangements, as it has commercial obligations as a State-owned enterprise.

Financial implications

94. The level of the track user charge will affect the level of funding available for rail activities through the NLTF. Implementing the charge over a 10-year period and periodic reviews of the charge will help to smooth the impacts on KiwiRail.
95. There may be setup costs for Waka Kotahi to administer the revenue collection system. Depending on the quantum of these, the Ministry will provide further advice to Ministers.

Human rights, gender and disability implications

96. There are no human rights, gender or disability issues or implications associated with this paper.

Publicity

97. We will communicate the outcomes of these decisions, including to KiwiRail and other key stakeholders.

Proactive release

98. We propose to proactively release this Cabinet paper consistent with the provisions of the Official Information Act 1982.

Legislative implications

99. Regulations are required under section 167 and 168 of the Land Transport Act 1998 to implement the proposals.

Impact analysis

100. The Regulatory Impact Analysis requirements apply to the proposals in this paper, and the attached Phase 2 Cost Recovery Impact Statement (CRIS-2) has been prepared.
101. The CRIS-2 has been reviewed by the Ministry of Transport's Regulatory Impact Assessment Panel as meets the quality assurance criteria.
102. We note that the preferred option (option 4) will require regular review to achieve the intent of KiwiRail paying the direct costs of the network, without a negative impact on the viability of the rail network.
103. The Ministry for the Environment Climate Implications of Policy Assessment (CIPA) has confirmed that the CIPA requirements do not apply to this proposal as the emissions impact is indirect and unable to be accurately quantified.
104. The new planning and funding framework for rail was designed to support a reliable and resilient rail system and increase the use of the rail.
105. However, it is important to acknowledge that sufficient funding is required to support the implementation of a reliable and resilient rail system. Establishing a charging regime for track user charges is a critical part of this new system.
106. KiwiRail is also concerned that the funding is not yet in place to support the network itself.

Recommendations

We recommend that the Committee:

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1. **note** that on 22 May 2019, this Committee agreed in principle to a resilient and reliable rail system [refer DEV-19-MIN-0123 and CAB-19-MIN-0240 confirmed]
107. **note** that on 28 August 2019, this Committee agreed [refer DEV-19-MIN-0225 and CAB-19-MIN-0439 confirmed]:
 - a. to implement a new planning and funding framework, which will give responsible Ministers decision-making rights on funding rail network investments and channel funding from the National Land Transport Fund to the rail network
 - b. that the National Land Transport Fund and land transport revenue be used to directly fund KiwiRail's rail network activities and to include rail activities in the Government Policy Statement on land transport
108. **note** that KiwiRail has advised it will cost approximately \$420 million per annum to fund maintenance and renewal of the rail network to a reliable and resilient state
109. **note** that the new planning and funding framework for the rail network will see funding for that network come from the National Land Transport Fund, with revenue from Crown funding and track user charges
110. **note** that the Government Policy Statement on land transport 2021/22 – 2030/31 provides a funding range of \$120 million to \$170 million per annum from the National Land Transport Fund for the rail network to enable KiwiRail to support the delivery a reliable and resilient national rail network, subject to approval of the Rail Network Investment Programme by the Minister of Transport
111. **note** that this Committee previously:
 - a. agreed in principle that a track user charge be used to ensure that rail users also contribute towards rail maintenance and renewals in a fair and transparent way [refer DEV-19-MIN-0225, CAB-19-MIN-0439 confirmed]
 - b. agreed that track user charges will be established and paid into the NLTF from KiwiRail's freight and tourism operations [refer DEV-20-MIN-0082]
 - c. noted that the full costs of rail network activities will be made transparent, however, estimates prior to the impact of COVID-19 were that KiwiRail's freight and tourism businesses were only likely to be able to pay a small proportion of the track user charges that would be needed to cover the full costs of rail infrastructure [refer DEV-20-MIN-0082]

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112. **note** that the Crown committed \$834.4 million to fund the rail network through Budgets 2020 and 2021 which funds the first three years of the rail network investment programme
113. **note** that additional Crown funding will be required in future Budgets to support a resilient and reliable rail network
114. **agree** that a track user charge be implemented which applies to any rail freight operator undertaking freight business on the national rail network in New Zealand and that this charge be specified as land transport revenue and paid into the NLTF
115. **note** that for the time being KiwiRail is the only rail freight operator on the national rail network, but that the regulations will be drafted so that this track user charge will apply to any other rail freight operator entering the market
116. **note** that further work is required to develop a track user charge which applies to KiwiRail's tourism business and other tourist and heritage providers which operate on the national rail network – given the severe impacts of COVID-19 on New Zealand's tourism sector
117. **agree** that KiwiRail will calculate the track user charge and produce a buyer created tax invoice on a quarterly basis in arrears and will provide a declaration in support of the invoice
118. **agree** that the quarterly periods will be 1 July – 30 September, 1 October – 31 December, 1 January – 31 March and 1 April – 30 June. The buyer-created tax invoice and payment for the previous quarter will be due one month after the end of each quarterly period. For completeness, payments and invoices will be due by 31 October, 31 January, 30 April and 31 July for the previous quarterly period
119. **agree** that Waka Kotahi as the collector of the track user charge may impose a reasonable administration charge in connection with the administration of track user charge payments, which is calculated in accordance with the following formula: $h \times \$120 = \c where:
- 119.1. h is the sum of the hours (including part-time hours) spent by each employee of the Agency administering the track user charge
- 119.2. $\$c$ is the administration charge payable

Transitional arrangement

120. **agree** that, the charge is set at the following rates for KiwiRail's freight business:

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- a. for the period 1 July 2021 to 30 June 2022, the annual charge is \$1.18 per 1,000 freight train gross tonne kilometres (GTK) leading
 - b. for the period 1 July 2022 to 30 June 2023, the annual charge is \$1.65 per 1,000 freight train gross tonne kilometres (GTK) leading
 - c. from 1 July 2023 the annual charge is \$2.11 per 1,000 freight train gross tonne kilometres (GTK) leading
121. **note** that the Ministry of Transport will initiate a review of the charge during the development of the next Government Policy Statement on land transport
122. **note** that ahead of that review the Ministry of Transport will undertake further work to determine how a track user charge will apply to KiwiRail's tourism business and heritage and tourism operators which operate on the national rail network
123. **invite** the Minister of Transport to issue drafting instructions to the Parliamentary Council Office to give effect to recommendations **9**, and **12-15** through regulations under sections 167 and 168 of the Land Transport Act 1998
124. **authorise** the Minister of Transport to make any minor, technical, transitional or consequential changes, consistent with the overall policy intent, that arise during the drafting of the regulations referred to at recommendation **18** without reference to Cabinet
125. **agree** to the proactive publication of this Cabinet paper on the Ministry of Transport's website, consistent with the Official Information Act 1982.

Authorised for lodgement

Hon Grant Robertson
Minister of Finance

Hon Dr David Clark
**Minister for State
Owned Enterprises**

Hon Michael Wood
Minister of Transport