TE MANATŪ WAKA
MINISTRY OF TRANSPORT

OC220336

18 May 2022

[redacted]

Tēnā koe [redacted]

I refer to your email dated 29 April 2022 requesting the following documents under the Official Information Act 1982 (the Act):

- *OC220081 Movement v New Zealand Transport Agency - Advice on Ministry Involvement [Legally Privileged]*
- *OC220104 Meeting with David Borcoski, Group Managing Director & CEO ASP Ships Group, 2 March 2022*
- *OC220057 Independent Review into Auckland Metro Rail System Issues*
- *OC210944 Terms of Reference for the Future of the Revenue System project*
- *OC220173 Meeting with Leonard Sampson, 30 March 2022*
- *OC220181 Advice on three month reduction in the track user charge.*

Of the six documents you requested, I am releasing four, withholding one and refusing one. The following sections of the Act have been used:

9(2)(a)	to protect the privacy of natural persons
9(2)(b)(i)	would disclose a trade secret
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
18(d)	the information requested is or will soon be publicly available.

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AUCKLAND OFFICE: NZ Government Auckland Policy Office, PO BOX 106483, Auckland 1143, New Zealand. TEL +64 9 985 4800

The above information is detailed in the document schedule attached as Annex 1.

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website **www.ombudsman.parliament.nz**

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry's website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā

Hilary Penman
Manager, Ministerial Services

Annex 1 - Document Schedule

Doc#	Reference number	Title of Document	Decision on request
1	OC220081	Movement v New Zealand Transport Agency - Advice on Ministry Involvement [Legally Privileged]	Withheld under Section 9(2)(h).
2	OC220104	Meeting with David Borcoski, Group Managing Director & CEO ASP Ships Group, 2 March 2022	Some information is withheld under Sections 9(2)(a), 9(2)(b)(i), 9(2)(b)(ii) and 9(2)(ba)(i).
3	OC220057	Independent Review into Auckland Metro Rail System Issues – Final Report	Refused under Section 18(d). This document will be published in June 2022 (approximately) and will be available here: www.transport.govt.nz/area-of-interest/infrastructure-and-investment/the-new-zealand-rail-plan/
4	OC210944	Draft Terms of Reference for the Future of the Revenue System Project	Some information is withheld under Sections 9(2)(a), 9(2)(f)(iv), 9(2)(g)(i) and refused under Section 18(d). Annex 1 is refused under section 18(d) and Annex 2 is withheld under Section 9(2)(g)(i). Annex 1 will be published on the Ministry of Transport's website in approximately June 2022.
5	OC220173	Meeting with Leonard Sampson, 30 March 2022	Some information is withheld under Sections 9(2)(a), 9(2)(ba)(i), 9(2)(b)(ii), 9(2)(f)(iv) and 9(2)(g)(i).
6	OC220181	Advice on three month reduction in the track user charge	Some information is withheld under Sections 9(2)(a) and 9(2)(g)(i).

TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Document 2

1 March 2022

OC220104

Hon Michael Wood
Minister of Transport

MEETING WITH DAVID BORCOSKI, GROUP MANAGING DIRECTOR & CEO ASP SHIPS GROUP, 2 MARCH 2022

Snapshot

To discuss a range of relevant coastal shipping issues and opportunities

Time and date	**10:00am, 2 March 2022**
Venue	EW4.1 and Zoom
Attendees	Hon Michael Wood, Minister of Transport David Borcoski, Group Managing Director and CEO, ASP Ships Group
Officials attending	Liam Fechney, Graduate Advisor, Ministry of Transport Seona Ku, Principal Advisor, Ministry of Transport Callum Gill, Senior Adviser, Ministry of Transport
Agenda	1. The Waka Kotahi Coastal Shipping Activity Class 2. Marsden Point Oil Refinery Closure – The impacts on the Silver Fern Coastal Shipping Operation 3. s 9(2)(b)(i), s 9(2)(b)(ii), s 9(2)(ba)(i) 4. Maritime Training.
Talking points	Some suggested questions are attached as **Annex 1**

Contacts

Name	Telephone	First contact
Liam Fechney, Graduate Advisor, Supply Chain	s 9(2)(a)	✓
Harriet Shelton, Manager, Supply Chain	s 9(2)(a)	

Meeting with David Borcoski, Group Managing Director & CEO ASP Ships Group, 2 March 2022

Key points

- Mr Borcoski is one of two owners of ASP Ships Group (ASP), which are based in Melbourne and offer marine services (procurement, ship and crew management, fuel bunkering) as well as marine logistics (supply of time chartered ships). They mainly operate in the Asia-Pacific area, but also have some operations in Europe.
- ASP own Silver Fern Shipping, which operate the current domestic coastal tanker fleet. The contract for the operation of this fleet is scheduled to terminate when the Marsden Point Refinery closes, expected to take place on 1 April 2022.
- On 1 March 2022, Waka Kotahi will open applications for the $30 million coastal shipping activity class.
- s 9(2)(b)(i), s 9(2)(b)(ii), s 9(2)(ba)(i) [redacted]

Detail

Background on ASP Ships Group and Mr Borcoski

1 ASP was formed in 1964, and offer marine services, marine fuelling and marine logistics from 12 offices worldwide. It is majority owned by Mr Borcoski, who purchased it with another member of their senior management in 2018. Mr Borcoski has worked at ASP for 20 years.

2 ASP own Silver Fern Shipping who currently operate the two domestic coastal fuel tankers. They also own 50 percent of Coastal Bulk Shipping (CBS), who operate the MV Anatoki, a small coastal bulk vessel. The balance of CBS is held by smaller, New Zealand based investors.

3 ASP also provide ship management services for the Southern Tiare, the cargo vessel for the Chatham Islands.

The coastal shipping activity class

4 The coastal shipping ‘state of play’ report released in December 2021 was one of three commissioned by Waka Kotahi to assist with decisions around how the $30 million coastal shipping activity class funding could be best allocated under the National Land Transport Programme 2021-24 (NLTP).

5 The report identified numerous challenges facing domestic coastal shipping, including competition with international shipping lines that have lower cost structures, port facilities and access, lack of dry dock facilities for large ships, and decarbonisation.

6 The Ministry considers that the report largely focused on domestic container shipping, which ASP do not operate in – they operate in the bulk liquid and bulk dry markets. The bulk dry coastal shipping market does not face competition from overseas ships that can marginally cost, for example.

Impacts of Marsden Point Refinery closure on Silver Fern Shipping

7 The closure of the Refinery has led to Coastal Oil Logistics Ltd (COLL) informing Silver Fern Shipping that their two domestic coastal tanker vessels are no longer required from April 1. These coastal tankers are well adapted to service the New Zealand coast, and can access smaller ports that larger international vessels cannot.

8 As the Maritime Union of New Zealand (MUNZ) pointed out in their meeting with you on 23 February 2022, there are some concerns from industry, the public and officials about some of the fuel resilience concerns that the departure of the coastal tankers would cause. However, as we noted then, officials feel many of their resilience concerns relate to the move away from the current hub & spoke oil distribution model, rather than the specific risk posed by the removal of the domestic tankers.

9 Transport officials have a number of meetings scheduled with fuel companies to better understand their plans for fuel distribution once the Refinery closes. s 9(2)(ba)(i) [redacted] We understand you are meeting with Minister Woods, Minister Robertson and Minister Nash on 8 March 2022 to discuss further the closure of the Refinery.

s 9(2)(b)(i), s 9(2)(b)(ii), s 9(2)(ba)(i) [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

Maritime training

13 Mr Borcoski is likely to bring up ASP's commitment to training and retaining staff, and that many seafarers that previously gained experience on the MV Anatoki have since taken on senior roles on larger vessels in New Zealand, such as the Interislander ferries.

14 As MUNZ mentioned in the 23 February meeting, there are very limited opportunities for domestic seafarers to gain and retain qualifications needed to operate coastal vessels given the small size of New Zealand's coastal fleet. Officials will be

investigating solutions as part of the National Freight & Supply Chain Strategy, noting the likely longer-term nature of such solutions.

Annex 1: Talking Points

MEETING WITH DAVID BORCOSKI, GROUP MANAGING DIRECTOR & CEO ASP SHIPS GROUP, 2 MARCH 2022

Questions you could ask include:

The Waka Kotahi Coastal Shipping activity class

- Are there any issues in the coastal shipping sector that you felt the 'state of play' report did not address?
- Is ASP aware that Waka Kotahi has opened requests for proposals through the coastal shipping activity class?

Marsden Point Oil Refinery Closure – The impacts on the Silver Fern Coastal Shipping Operation

- Has Silver Fern Shipping been approached by any of the fuel companies seeking to retain the domestic tanker vessels in some capacity?
- If the tankers are not retained, are there any avenues to move affected staff to other areas of ASP?
- What are your views on the proposed import model for fuel distribution? Do you think this supply model will meet the demands of the various fuel customers?

s 9(2)(b)(i), s 9(2)(b)(ii), s 9(2)(ba)(i) [redacted]

[redacted]

Document 4

4 March 2022

OC210944

Hon Michael Wood

Minister of Transport

Action required by:

Friday, 1 April 2022

DRAFT TERMS OF REFERENCE FOR THE FUTURE OF THE REVENUE SYSTEM PROJECT

Purpose

Te Manatū Waka the Ministry of Transport has drafted a Terms of Reference and a slide pack of key messages for the initial stages of the Future of the Revenue System work. This is being provided to you for your information and comment.

Key points

- Our revenue system has functioned well over the last four decades, but the system we have today was not designed to accommodate the shifts in travel that we are expecting over the next 10 plus years. Work is required to plan for a new, or renewed, land transport revenue system.
- We have previously briefed you on a programme of work for land transport revenue, funding and pricing (OC200816 and OC210326 refers). Two key components of revenue related work currently progressing are:
  - a cross-agency Land Transport Revenue Review considering how to meet pressures in the short to medium term
  - a Te Manatū Waka-led longer term look at the Future of the Land Transport Revenue System.
- The longer term work initially requires us to consider the intent of the current system, the principles at play, and the purposes of the revenue system moving forward in light of current and future trends, issues and opportunities. Following this first principles analysis, we will develop some options for a new, or renewed revenue system, and a plan for wide-scale engagement on what the future system might look like.
- There are no obvious alternatives to the current revenue system, so we ought to consider a range of revenue and funding sources, along with the role of pricing.
- The draft Terms of Reference in Annex 1 outlines our proposed three phase approach, and the work to be done for the first phase between now and 2024. Phases two and three, which are expected to occur in 2024 and beyond, are not in scope at this point. These later phases involve conducting broad public engagement on options, and the

design processes required for implementation. The aim is to enable a new, or renewed revenue system to be in place by 2030 at the latest.

- This longer-term piece of work is of interest to a wide range of agencies and stakeholders, particularly as we all wrestle with large scale system shifts such as reducing carbon emissions and long-term planning across the transport and connected systems like housing. Te Manatū Waka is starting to engage with other agencies and stakeholders on the future revenue system work. Material developed for these conversations is attached in Annex 2.

Recommendations

We recommend you:

1	**discuss** the draft Terms of Reference for the Future of the Revenue System project with officials.	Yes / No
2	**refer** this briefing to Hon Grant Robertson, Minister of Finance for his information	Yes / No

Marian Willberg
Manager - Demand Management & Revenue
04 / 03 / 2022

Hon Michael Wood
Minister of Transport
..... / ...... / ......

Minister's office to complete:

☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Marian Willberg, Manager - Demand Management & Revenue	s 9(2)(a)	✓
Carla Hemmes, Senior Adviser - Demand Management & Revenue	s 9(2)(a)	

DRAFT TERMS OF REFERENCE FOR THE FUTURE OF THE REVENUE SYSTEM PROJECT

This draft Terms of Reference is the first concrete step in a large programme of work

1 Our revenue system has functioned well over the last four decades, but the system we have today was not designed to accommodate the shifts in travel that we are expecting over the next 10 plus years.

2 Te Manatū Waka has been aware that we need to reconsider the land transport revenue system for a few years now. Some background thinking was undertaken in 2019, and then picked up again earlier in 2021. The attached draft Terms of Reference in Annex 1 is the first step in our formal work programme for the Future of the Revenue System.

3 The briefing on land transport revenue, funding sources and pricing tools in July 2021 outlined a proposed work programme for discussion (OC210326 refers). Your feedback on the paper confirmed the importance and relevance of this work, and agreement that we should be aiming for public consultation on the Future of the Revenue system in early 2024.

4 The draft Terms of Reference covers phase one, which will generate advice to you on potential purposes and principles for the future revenue system by September 2022, and advice on future options for the revenue system by mid 2023.

5 We are interested in any feedback you may have. Please let us know if you would like to discuss the Terms of Reference or accompanying material further.

There are some large impacts and risks to consider

6 Our current transport revenue system, with its reliance on the revenue generated from fuel excise duty and road user charges, has largely functioned well over the last few decades. However, it is based on achieving a stable and increasing stream of revenue from population growth and people increasing their vehicle kilometres travelled (VKT).

7 Retaining the current system is not sustainable as transport policy looks to achieve a much lower emissions profile through reduced VKT and increased low-emissions transport options like high quality public transport and active travel. As these current revenue sources start to decline, there is a risk that the cost burden will shift to those groups who have fewer options to change. There are risks that people on lower incomes and in the regions will end up paying proportionately more.

8 This project presents a once in a generation opportunity for system level change. The new or renewed revenue system could look quite different to the one we have now, and could impact many parts of society, not just transport users. At present other jurisdictions are starting to look at similar questions, but to date there are few good examples from which to draw. There are also objectives Ministers may have for New Zealand's system, like increasing access to public transport, that this project is a rare opportunity to address.

9 Therefore it is important to take a thorough and considered approach, and develop robust options and consider how they could be implemented effectively. Because of the scale and complexity, this project aims to work through issues and risks in a deliberate and sequenced way. The principles and purpose of the future revenue system are a critical first step in determining how we will be raising revenue, and from whom - rather than starting with a focus on how much revenue we need to raise. Solutions need to be identified and designed once we have also had the opportunity to assess what the demands are going to be on the future transport system.

10 This approach allows us to consider the full range of revenue and funding sources, along with the role of pricing. Revenue, funding and pricing can be used in different ways, and various combinations will give different outcomes. For example, making greater use of pricing as a demand management tool in the future will potentially reduce the amount of revenue required to invest in new infrastructure. We could also consider place-based sources of funding, like targeted rates and value capture.

11 Understanding and assessing alternatives is important, as there are an increasingly wide range of beneficiaries from transport investments, particularly in the case of major city-shaping projects such as light rail. While specific solutions are often advocated for such as 'full network pricing' or 'GPS-based distance pricing', these can have the same fundamental problems as the current system.

12 Given the impact of the transport revenue system, Te Manatū Waka will need to engage with stakeholders across the system from the outset. In the draft TOR we propose developing a stakeholder engagement plan to oversee this first phase of work, and we think some targeted engagements outside of government will be useful as an early input to the work and will help build positive longer term buy-in to the work. This is similar to the approach used for the first phase of work on the National Freight and Supply Chain Strategy. In addition, a list of agencies we will engage with and seek input from is outlined in section 4.3 of the draft Terms of Reference. s 9(2)(f)(iv) [redacted]

13 A slide pack has been prepared to help facilitate these conversations with stakeholders and agencies, which outlines the case for change. This has been included as Annex 2 for your information.

Work is also underway to ensure the transport system can be paid for in the interim

14 Te Manatū Waka is working with the Treasury and Waka Kotahi on a Land Transport Revenue Review to ensure revenue is sustainable and we can manage demands on the National Land Transport Fund (NLTF) in the short to medium term. This review is focusing on understanding revenue and expenditure profiles over the next 10 years, how NLTF funding should be used, and maximising existing or alternative revenue tools. The work will also provide some of the inputs for developing the Government Policy Statement on land transport 2024.

15 Current sources of revenue[1] are forecast to be stable enough to pay for transport system maintenance and operations for the remainder of the decade.

16 You should receive interim advice on the Land Transport Revenue Review in April 2022.

Annex 1 Refused under Section 18(d)

Annex 2 Withheld under Section 9(2)(g)(i)

[1] Fuel Excise Duty (FED), Road User Charges (RUC) and Annual Vehicle Licensing/Motor Vehicle Registration as the primary sources of revenue.

TE MANATŪ WAKA
MINISTRY OF TRANSPORT

28 March 2022 OC220173

Hon Michael Wood
Minister of Transport

MEETING WITH LEONARD SAMPSON, 30 MARCH 2022

Snapshot

This meeting is to discuss the New Zealand freight and supply chain strategy, as well as some resource management consenting issues Port of Tauranga are having.

Time and date	**4:30pm, 30 March 2022**
Venue	EW4.1 / Zoom
Attendees	Hon Michael Wood, Minister of Transport Leonard Sampson, Chief Executive, Port of Tauranga Limited
Officials attending	Liam Fechney, Graduate Advisor, Ministry of Transport Lauren Hancock, Advisor, Ministry of Transport
Agenda	• New Zealand freight and supply chain strategy • Resource Management Act reform progress • Port of Tauranga vessel berth consenting issues
Talking points	Some suggested questions are attached as **Annex 1**
Additional Attachments	A map of the area surrounding the Port with roads involved in a Waka Kotahi IBC highlighted is attached as **Annex 2**

Contacts

Name	Telephone	First contact
Liam Fechney, Graduate Advisor, Supply Chain	s 9(2)(a)	✓
Harriet Shelton, Manager, Supply Chain	s 9(2)(a)	
Lauren Hancock, Advisor, Supply Chain	s 9(2)(a)	

MEETING WITH LEONARD SAMPSON, 30 MARCH 2022

Key points

- It may be worth clarifying with Mr Sampson that earlier work on the Upper North Island Supply Chain Strategy (UNISCS) has been absorbed into the New Zealand freight and supply chain strategy (the Strategy), rather than the strategy duplicating work already done by UNISCS.

- The Strategy has a strong focus on sustainability and decarbonisation of transport in line with New Zealand's agreed emissions reduction targets. While the Strategy is not yet at the point of suggesting specific actions, some of the decisions around domestic and international shipping will have important consequences for all of our ports.

- Reforms of the Resource Management Act (RMA) are underway, intended to reduce consenting costs, support appropriate infrastructure and urban development, protect the environment, and better uphold the values of Te Tiriti o Waitangi. Completion is expected before the next election in 2023.

- Port of Tauranga Limited (POTL) is currently awaiting an Environment Court date for assessment of their proposed expansion of the port, which involves dredging the harbour and new berths for container vessels. This follows the project not being approved for the COVID-19 (Fast-track Consenting) Act 2020. Infrastructure New Zealand predict that without the project, the port will reach the limits of its capacity by 2025[1].

- Waka Kotahi are currently developing an Indicative Business Case (IBC) for improvements to State Highway 2 and Totara Street near the Port. The IBC is not expected to be complete until February 2023, and Waka Kotahi will engage POTL as a key stakeholder.

Detail

New Zealand freight and supply chain strategy

1 Earlier work on the UNISCS began as a desire to develop a strategic approach to the supply chain in the upper North Island, including its ports. One of the key issues highlighted with this approach was that decisions around upper North Island ports have significant impacts on the rest of the country and cannot be made in isolation.

2 Ministers agreed that this highlighted the need for a clearer set of priorities for the freight and supply chain system. The expanded strategy will provide a system-wide view, so we can understand the impacts of decisions involving major infrastructure and investments. It will also enable us to consider other levers such as regulatory and economic levers, and the way international connections are shaped and managed.

3 The issues paper for the Strategy is due to be released for public consultation in early-to-mid April, pending Cabinet approval. POTL were one of the stakeholders

[1] *Port of Tauranga project highlights need to fast-track some consents.* Infrastructure New Zealand. (2022, February 24). Retrieved from https://infrastructure.org.nz/port-of-tauranga-project-highlights-need-to-fast-track-some-consents/

consulted as part of the development of the issues paper, so it may be worth ensuring Mr Sampson is aware that work on UNISCS has ended and been incorporated into our work on the Strategy.

4 Developing a sustainable freight network to ensure New Zealand can meet our emissions reduction commitments is a key piece of the Strategy. Based on commitments New Zealand made at COP 26, one of the issues we are exploring which may interest Mr Sampson is international green shipping corridors[2] and associated future fuel bunkering requirements.

5 Given we are aware a number of vessels bunker at POTL for fuel currently (although they are mostly domestic vessels), Mr Sampson may have a view that there is a role for them to play in terms providing fuels such as green methanol, hydrogen etc. to vessels as these fuels are adopted by industry.

6 Mr Sampson may also have views on the role coastal shipping could play in the future, and particularly around how it could fit in with POTL operations and expansion plans. Given we are still consulting with the relevant stakeholders, we cannot commit to any particular path of action for the sector through the Strategy. However, Waka Kotahi aim to notify successful applicants for their coastal shipping activity class fund on 13 May 2022 and begin implementing the projects from July 2022, so there is potential for some expansion in the sector to begin as early as this year.

Resource Management Act reform process

7 The RMA reforms are progressing at pace, with the intention the new legislation is in place before the next election in 2023. Enabling the provision of infrastructure in the right place, at the right time, is a key point of the reform.

8 We are working closely with Ministry for the Environment officials to ensure the new resource management system provides appropriate recognition and national direction through the National Planning Framework for infrastructure, especially the transport system. The reforms will deliver nationally consistent decision-making, with an emphasis on plan making, and less resource consents.

9 At a practical level major works for the port will still need to go through the resource consent process. However, there will be a reduction in the nature and scope of the consents required.

10 With reduced consents, more consistent decision-making and certainty around processes such as notification and appeal rights, we anticipate greater efficiency in the new system. While the system will take some time to implement fully, the Ministry believes it will better ensure the right infrastructure gets built in the right place, at the right time.

Port of Tauranga consenting issues

11 We understand POTL is currently facing significant congestion issues, which is not surprising given that it is one of the peak export seasons. s 9(2)(b)(ii), s 9(2)(ba)(i) [redacted]

[2] Green shipping corridors are specific shipping routes where both the vessels that operate them and supporting land based infrastructure are zero-emission. 22 countries are signatories to this proposal, including Australia, France, Canada, Japan, the United Kingdom, the United States and New Zealand.

s 9(2)(b)(ii), s 9(2)(ba)(i) [redacted]

12 POTL is currently waiting for an Environment Court date for an assessment of their proposed expansion of the Sulphur Point wharves. The expansion would allow POTL to handle an additional 1 million TEU[3] a year and accommodate an extra decade of growth. It would also allow the Port to handle larger container vessels, which are becoming more common. Infrastructure New Zealand estimate that the port will run out of capacity by 2025 if the expansion does not occur.

13 Given POTL is New Zealand's largest export port and handled approximately 42% of all container volumes in 2021[4], the port reaching capacity would hamper New Zealand's economic growth. s 9(2)(f)(iv), s 9(2)(g)(i) [redacted]

Waka Kotahi have work programmes underway that may impact road access to the port

14 Waka Kotahi are partnering with Bay of Plenty Regional Council and Tauranga City Council to complete an Indicative Business Case (IBC) exploring options for the SH2/Hewlett Road corridor and the surrounding transport network. As a key stakeholder, representatives from the Port will be invited to participate to explore the options and complete the IBC investigation.

15 At this stage, Waka Kotahi expect the project/IBC to focus on achieving road safety, mode shift, freight accessibility and environmental outcomes, and explore a wide range of interventions (transport, policy regulatory, land use, and behavioural) to best manage/improve SH2/Hewlett Road for current and future use. The IBC is expected to be complete by Feb 2023, and the detailed business case to start soon after. The project team is currently evaluating the two tender responses received and are on track to appoint a professional services team starting in April/May.

16 s 9(2)(g)(i) [redacted]

[3] Twenty-foot Equivalent Unit, a standard industry measurement that represents a shipping container of twenty-foot length.
[4] *Freight Information Gathering System (FIGS).* Ministry of Transport. Retrieved from https://www.transport.govt.nz/statistics-and-insights/freight-and-logistics/figs-port-container-handling/

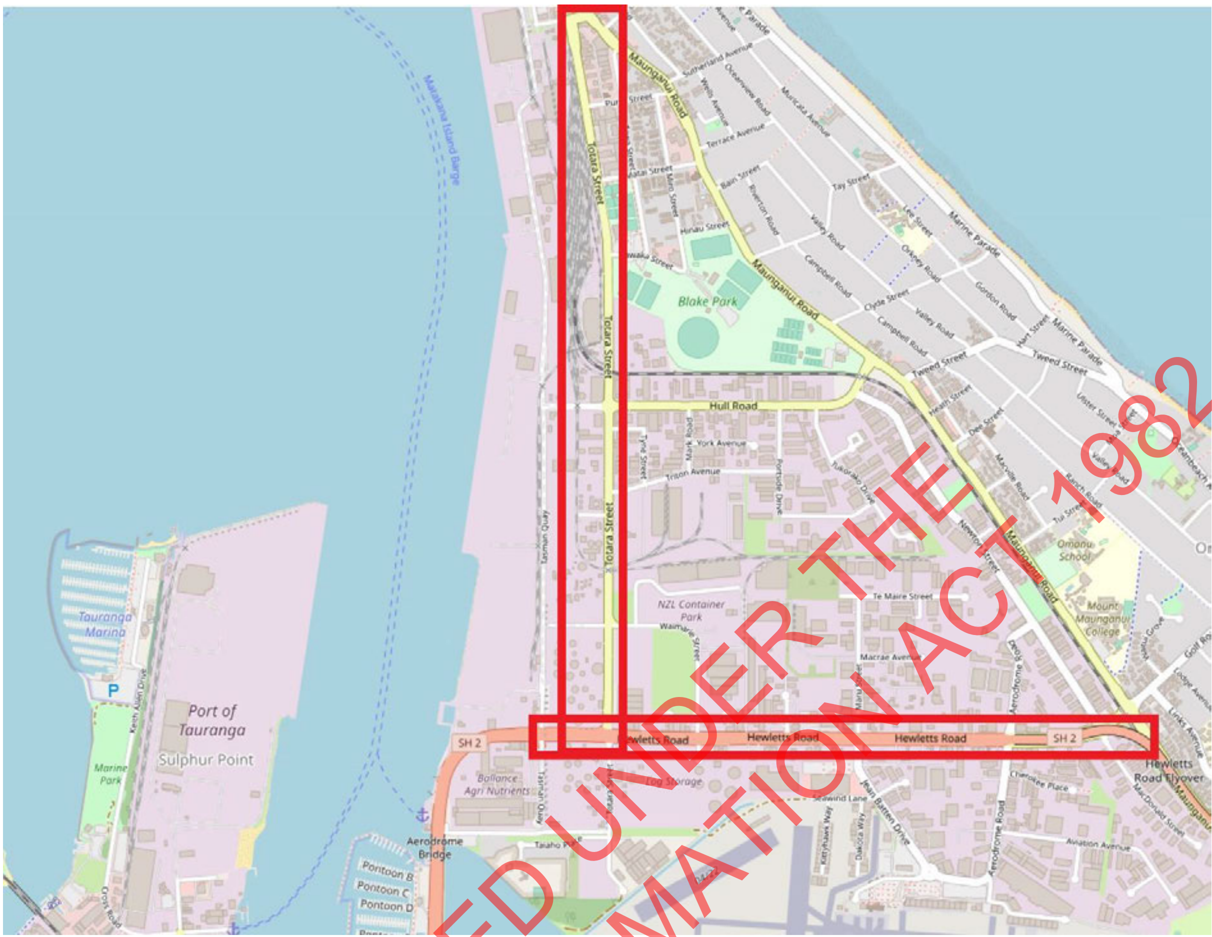
Annex 1: Suggested Questions

MEETING WITH LEONARD SAMPSON, 30 MARCH 2022

- How is your current export season going? Are you tracking to have roughly the same levels of throughput as previous years?
- Is the MetroPort rail transfer facility still operating effectively given the Omicron pressures of the last few weeks?
- What are POTL's current ambitions in the emissions reduction space?
- Are you seeing flow on effects from some shipping lines choosing to divert their services to Northport rather than other upper North Island ports?[5]

[5] Note that POTL own 50% of Northport, and the diversions may be making empty containers for export more difficult to attain

Annex 2: Map of area surrounding POTL



TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Document 6

21 March 2022 OC220181

Hon Michael Wood **Action required by:**

Minister of Transport Monday, 21 March 2022

CC: Hon Grant Robertson

Minister of Finance

ADVICE ON THREE MONTH REDUCTION IN THE TRACK USER CHARGE

Purpose

Provides you with advice on reducing the railway track user charge (TUC) paid by KiwiRail's freight business, following reductions in fuel excise duty (FED) and proposed reductions to road user charges (RUC) to respond to increases in the price of petrol and diesel.

Key points

- On 14 March 2022, Cabinet agreed to reduce the rates of FED and RUC for a three-month period. The reduction aims to offset some of the costs faced by households and businesses due to high fuel prices. Along with the reduction in FED and RUC, public transport fares were also halved for three months to alleviate household costs and support the uptake of public transport.

- KiwiRail has requested a reduction in the TUC equivalent to the reduction in RUC. It is important to note that KiwiRail does not pay RUC on diesel used to fuel its locomotives or interisland vessel fleet, and any reduction in RUC will already apply to its fleet of network maintenance vehicles.

- The Ministry considers that a TUC reduction isn't required given the Government's objectives of the FED, RUC and public transport fare reductions are – *to support households and business due to high fuel prices*. The TUC is paid by KiwiRail's rail freight business and is passed onto its commercial customers through a surcharge and is not in anyway related to fuel costs. KiwiRail pays the TUC to ensure that it contributes in a fair and transparent way to the wear and tear its rail freight operation causes on the national rail network.

- If Ministers consider a reduction in the TUC is appropriate, we recommend that this is based on the $27 per 1,000km reduction in RUC, consistent with earlier advice (OC220166 refers). Based on the H94 RUC class of heavy vehicles (the most common class of heavy vehicles in New Zealand), this would see a 3 percent reduction in the TUC (note that this is subject to the decision made by Cabinet on the most appropriate RUC relief option).

- s 9(2)(g)(i) [redacted]

- A reduction in the TUC consistent with the proposed RUC rate reductions will likely result in a $0.1 million to $1.4 million reduction in revenue for the NLTF (depending on Ministers' decision on the equivalent RUC reduction) over the three-month period. If Ministers decide to proceed with a reduction in TUC, the Ministry will provide further advice on the appropriate mechanism to achieve this, including, but not limited to, regulatory change.

- KiwiRail considers that this matter can be resolved by not applying a reduction in RUC to heavy vehicle classes. In the absence of that approach, KiwiRail proposes a non-regulatory approach to achieve the outcome (i.e. an equivalent reduction in TUC to RUC) in an expedient manner.

Recommendations

We recommend you:

1 **note** that on 14 March 2022, Cabinet agreed to reduce the rates of petrol excise duty (FED) and road user charges (RUC) to offset some of the costs faced by households and businesses due to high fuel prices (CAB-22-MIN-0073 refers)

2 **note** that KiwiRail has requested a reduction in the track user charge (TUC) it pays into the National Land Transport Fund (NLTF), consistent with any reduction in RUC

4 **note** that the Ministry does not consider that a reduction in the TUC rate is necessary or appropriate, given the core drivers for the three-month FED and RUC reduction and further public transport subsidy is to alleviate household costs and support the uptake of public transport – reducing TUC paid by KiwiRail will not contribute to these objectives

3 **note** that Ministers and Cabinet have been presented with three potential options on relief for RUC payers and Ministers are yet to formally decide (OC220166 refers) which included:

- Option 1: a flat $27 per 1,000km reduction in RUC across all rates (the Ministry's preferred option)
- Option 2: a 36 percent reduction across all RUC rates
- Option 3: a combination of the above two options.

4 **indicate** a preferred approach from one of the three options below:

- Option 1: do not proceed with a reduction in TUC (the Ministry's preferred option) Yes / No
- Option 2: implement a TUC reduction equivalent to the associated reduction in RUC paid by the most common heavy vehicle class in New Zealand (H94) Yes / No

- Option 3: implement a TUC reduction but seek further advice from the Ministry about other reduction options. Yes / No

5 **note** that an equivalent reduction in TUC based on RUC options for the three-month period April 2022 – June 2022, will reduce NLTF revenue by between $0.1 million and $1.5 million

6 **note** that if Ministers decide to proceed with a reduction in TUC, the Ministry will provide further advice on the appropriate mechanism to achieve this, including, but not limited to, regulatory change.

Harriet Shelton **Manager, Supply Chain** 21 / 03 / 2022	Hon Michael Wood **Minister of Transport** ..... / ...... / ......

Minister's office to complete: ☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Richard Manning, Senior Advisor, Supply Chain	s 9(2)(a)	✓
Harriet Shelton, Manager, Supply Chain	s 9(2)(a)	

ADVICE ON THREE MONTH REDUCTION IN THE TRACK USER CHARGE

Advice on reducing the railway track user charge (TUC) following reduction in Fuel Excise Duty (FED) and the proposed reduction in Road User Charges (RUC)

1 Your office has sought advice on a reduction of the railway track user charge (TUC), following a request from KiwiRail. This follows a Cabinet decision on 14 March 2021 to reduce fuel excise duty (FED) by 25 cents per litre, and a proposed equivalent reduction to road user charges (RUC) for three months.

TUC was introduced as part of a new planning and funding framework for the national rail network

2 The Land Transport (Railway Track User Charges) Regulations 2021 (the TUC) came into effect on 15 November 2021. The TUC requires any rail freight operator on the national rail network to pay the charge to offset to the wear and tear costs and contribute to the National Land Transport Fund (NLTF).

3 In effect, the TUC only applies to KiwiRail's freight business, as the only rail freight operator in New Zealand. The TUC is a key part of the new planning and funding framework for the national rail network, implemented as part of the Future of Rail review.

4 As part of the new planning and funding framework for the rail network, KiwiRail will receive a maximum allocation of $1 351.7 million for the 2021-2024 period from the NLTF. The TUC regulations ensure that now the rail network is funded from the NLTF, rail users contribute. The regulations will see KiwiRail's rail freight business contribute up to $7.5 million to the NLTF in 2021/22, $16.3 million in 2022/23 and from 2023/24 $20.9 million to the NLTF.

The reduction in FED and RUC is focused on reducing cost of living impacts on households, rather than subsidising the road freight industry

5 We understand that the focus of the reduction in FED and RUC is to reduce the overall impact of cost of living increases on New Zealand households. The Ministry has provided you with advice on options to ensure that the main beneficiaries of any short-term reduction in FED and potential reduction in RUC are predominately households (OC220166 refers).

6 The Ministry presented three options for an equivalent reduction in RUC and recommended the $27 flat reduction as households, unlike some businesses, cannot pass on costs and feel the pressure of increased fuel prices more acutely.

7 Some businesses are also likely impacted by the increase in fuel price, especially those businesses in competitive markets, and are unable to pass on costs readily. The reduction aims primarily to provide support to households that are struggling rather than to subsidise the heavy transport sector.

8 The Ministry also considered that the $27 flat rate reduction has less revenue risk, means that heavy vehicles are still covering their damage costs to the national roading network, and limits the potential for large refunds or credits being claimed by firms. It was also noted in the earlier advice that this reduces the perception that this is subsidising the freight industry over households.

9 The Ministry also considered that while both options deliver reductions and preserve appropriate relativities between charges for heavy vehicles depending on their road wear characteristics, the first option aligned best with the user pays notion underlying the road user charges (that heavy vehicles pay for pavement damage).

10 We consider that the reasoning behind the $27 flat rate reduction in RUC should also be applied to the Ministers' decision on TUC.

The Ministry does not recommend a reduction in TUC

11 The Ministry considers that a TUC reduction isn't required given the core objectives of the FED, proposed RUC and public transport fare reductions – *to support households and business due to high fuel prices*. s 9(2)(g)(i) [redacted]

12 The TUC is paid by KiwiRail's rail freight business, which it passes onto its commercial customers through a surcharge and is not related to fuel costs. KiwiRail pays the TUC to ensure that it contributes in a fair and transparent way to the wear and tear its rail freight operation causes on the national rail network.

13 KiwiRail's relationship with land transport revenue collected by TUC differs from that of a single motorist or business's relationship with RUC revenue. While both are paid into the NLTF as land transport revenue, KiwiRail also receives a significant amount directly from the NLTF (a maximum allocation of $1,351.7 million for the 2021-2024 period). Payers of RUC receive the benefit of a maintained national roading network, but do not receive direct funding from the NLTF.

14 RUC revenue from heavy vehicles covers their damage costs to the national roading network. TUC revenue is set to raise iteratively over the next two years and will not cover the direct costs of rail freight to the national rail network for at least the next decade (pending a wider review of the TUC policy).

15 A reduction in the TUC consistent with the proposed RUC rate reductions will likely result in a $0.1 million to $1.4 million reduction in revenue for the NLTF (depending on Ministers decision on the equivalent RUC reduction) over the three-month period.

If you decide to proceed with a reduction in TUC, the Ministry's preferred option would see a 3 percent reduction

16 As part of the policy development process of the TUC, the equivalent RUC used for comparison purposes was the H94 class[1]. The H94 class is the most common heavy vehicle class in New Zealand. The H94 class pays $848 per 1,000 km for RUC, and a $27 reduction in the RUC paid by the H94 class equates to a 3 percent reduction in the RUC.

We have identified two potential options for amending TUC

17 **Option one** is for KiwiRail to continue to pay the TUC in full for Q4 2021/22 (base rate of $1.18), but with the relevant reduction covered through funds appropriated by the Government and paid to KiwiRail. KiwiRail would then pass on the reduction to customers for that period, and Waka Kotahi would continue to receive the TUC at the levels required for the NLTF.

18 An administrative benefit of TUC over RUC is that there is currently only one freight operator on the national rail network who pays TUC (KiwiRail). TUC is also paid on a quarterly basis in arrears. This makes refund equivalent to what a reduction would be feasible in a way that it might not be for RUC.

19 **Option two** is to amend the Land Transport (Railway Track User Charges) Regulations 2021. These regulations set out the rate of railway track user charge as a dollar amount per 1,000 gross tonne kilometres (GTK).

20 A change to regulations would need to be drafted by Parliamentary Counsel Office (PCO) and go through the Executive Council process. We would also need to seek a waiver to the 28-day rule (on the basis that the change confers only benefits to the public) for this to be in force before 1 April 2022.

21 If Ministers decide to proceed with a reduction in TUC, we will provide further advice on the most appropriate mechanism to achieve this.

[1] The H94 RUC class is a towing vehicle that is part of an overweight combination vehicle consisting of a type 14 RUC vehicle towing a type 951 RUC vehicle with a permit weight of not more than 50,000kg.