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## Rail Track User Charges to come into force

The Land Transport (Railway Track User Charges) Regulations 2021 were passed by Order in Council on 27 September 2021 and will come into force on 15 November 2021. Essentially, the track user charges (TUCs), are similar to road user charges (RUCs), but for freight rail services. The rail freight provider/operator is required to remit these quarterly to Waka Kotahi NZ Transport Agency as a contribution to the National Land Transport Fund (NLTF).

The track user charges scenario arose within the discussion in the regulatory impact statement (RIS) associated with introduction of the Land Transport (RAIL) Legislation Bill. TUCs also emerged in the context of the Draft NZ Rail Plan released in late 2019, along with the scenario of the rail having access to considerable amounts of revenue from the NLTF which arguably, is funding generated through vehicle registration charges, RUC and fuel excise contributions necessary for roading and infrastructure maintenance.

Transporting New Zealand's view was the idea of TUCs is simply a smoke and mirrors exercise, as the money paid in by the rail freight service operator is simply drawn down later by the dominant player, in essence serving the only freight provider, so it is something of a discrete subsidy by any other name.

From a policy perspective, the discussion in the RIS was an attempt to placate criticism of the Bill by road users, namely organisations such as Transporting New Zealand, by suggesting rail users who draw funding from the NLTF should contribute to the NLTF by way of TUCs. An additional explanation in the Bill suggested *that the TUC will ensure track users contribute to the costs of the rail network in a fair and transparent way.*

In our submission on the original Bill, Transporting New Zealand said the TUC scenario was lacking any evidence of what those TUCs might look like and no economic demand analysis had been undertaken to determine what the rail, or track user fee, should be. The fee wasn't disclosed until the regulations recently emerged.

Section 9 of the Land Transport (Railway Track User Charges) Regulations 2021, the subject of this Advisory, outlines the charge scenarios which have we decided to reprint below for members' information.

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## Sec 9) Amount of quarterly railway track user charges

(1) The amount of railway track user charges payable by a rail operator for a quarter in a financial year referred to in subclause (2) is the amount calculated in accordance with the following formula:

$$(\text{GTK} \div 1,000) \times \$r = \$c$$

where—

GTK is the total number of gross tonne kilometres travelled by the freight services operated by the rail operator during the quarter

\$r is the rate set out in subclause (2) for the financial year in which the quarter occurs

\$c is the amount of railway track user charges for the quarter.

(2) Column 2 of the following table contains the rates (\$ per 1,000 GTK) that apply to the calculation of railway track user charges for the quarters of the financial years set out in Column 1:

<b>Column 1</b>	<b>Column 2</b>
<b>Financial year</b>	<b>Rate of railway track user charge (\$ per 1,000 GTK)</b>
2021/2022	1.18
2022/2023	1.65
Subsequent years	2.11

Access to full copy of the regulations is available through the link below which provides and amplified explanation of what rail freight transport scenarios are captured by these regulations.

<https://www.legislation.govt.nz/regulation/public/2021/0278/latest/whole.html>

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