



Cabinet

Minute of Decision

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Taking Action on Fuel Prices: Extending the Temporary Measures Until 31 January 2023

Portfolios Finance / Energy and Resources, Transport

On 4 July 2022, Cabinet:

- 1 **noted** that in April 2022, Cabinet agreed to a further two-month extension to the three-month temporary reduction of petrol excise duty and road user charges [CAB-22-MIN-0130];
- 2 **agreed** to further extend the temporary reduction to petrol excise and road user charges until 31 January 2023;
- 3 **agreed** that the half-price public transport scheme also be extended until 31 January 2023, and that implementation of the Community Connect concession be deferred until 1 February 2023;
- 4 **noted** that the deferral of the Community Connect concession will reduce the amount of funding required for that scheme in 2022/2023, and that this reduction in costs will partially offset the cost of the public transport half-price fare extension;
- 5 **authorised** the Minister of Finance and the Minister of Transport to reduce the Community Connect appropriation for the 2022/23 year, subject to further work to determine the reduced amount of funding required as a result of the deferred start date;
- 6 **agreed** to further extend the partial reimbursement of track user charges until 31 January 2023;
- 7 s 9(2)(f)(iv)

Legislative implications

- 8 **invited** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office for an Order in Council under the Road User Charges Act 2012 and regulations under the Land Transport Management Act 2003 to implement the decision in paragraph 2 above;
- 9 **noted** that an Order in Council extending the reduction in petrol excise duty will be drafted by the New Zealand Customs Service;

- 10 **authorised** the Minister of Finance and the Minister of Transport to authorise the submission of the instruments referred to in paragraphs 2, 8 and 9 above to the Executive Council on or before 21 July 2022, without further reference to Cabinet;
- 11 **noted** that a waiver of the 28-day rule is sought:
- 11.1 so that the instruments can come into force before 15 August 2022;
- 11.2 on the grounds that Orders confer only benefits to the public, noting that early commencement of the regulations is necessary to avoid unfair commercial advantage (for example, refunds being received at the non-reduced rate) or the purpose of the regulations being defeated;
- 12 **agreed** to waive the 28-day rule so that the instruments can come into force prior to 15 August 2022;
- 13 **noted** that the monitoring arrangement under the Fuel Industry Act 2020 relating to the pass-through of petrol excise duty will remain in place until 28 days after the full rate of petrol excise duty is restored;

Financial implications

- 14 **noted** that:
- 14.1 the decision in paragraph 2 above is expected to reduce land transport revenue by around \$589 million in 2022/23, which will have a corresponding reduction in funding provided to the National Land Transport Fund;
- 14.2 the National Land Transport Programme permanent legislative authority will be adjusted to reflect the actual revenue reduction through the Baseline Update process;
- 15 **agreed** to top up the National Land Transport Fund to account for the anticipated shortfall in revenue as a result of the policy decision in paragraph 2 above (\$589 million) and the increased expenditure as a result of the policy decision in paragraph 3 above (\$64.13 million);
- 16 **agreed** 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 September 2022 to 31 January 2023, limited to a maximum amount of \$5 million, for the purpose of providing its commercial rail freight customers with a five-month reduction in railway track user charges;

17 **approved** the following changes to appropriations to give effect to the policy decisions in paragraphs 2, 3, 6, 15 and 16 above, with a corresponding impact on the operating balance and net debt:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Vote Transport Minister of Transport					
Non-Departmental Output Expense:					
Funding for Temporary Decreases in Fuel Excise Duty, Road User Charges, Public Transport	-	658.130	-	-	-
Fares and Railway Track User Charges					
Total Operating	-	658.130	-	-	-

18 **agreed** that the changes to appropriations above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

19 **agreed** that the operating balance and net debt impact under paragraph 17 above be managed outside of Budget allowances;

20 **noted** that the Minister of Finance declined the transfer of the expected unused appropriations in the 2021/22 year into the 2022/23 year for the Small Business Cashflow Scheme (\$425 million in non-cash operating expenses and \$992 capital expenditure) and COVID-19 Support Payments (\$227 million in operating expenses) in Vote Revenue, as well as eight smaller transfers across Votes Education, Internal Affairs, Conservation, and Agriculture, Biosecurity, Fisheries and Food Safety (totalling \$23.562 million in operating expenses);

- 21 **noted** that, although the operating balance and net debt impacts in paragraph 17 above will be managed outside of Budget allowances, the effective impact on the operating balance and net debt (noted in the table below) will be broadly neutral over the current and next fiscal year, as a result of the decisions noted in paragraph 20 above:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impacts					
Small Business Cashflow Scheme expenditure (non-cash)	(425.000)	-	-	-	-
COVID-19 Support Payments expenditure	(227.000)	-	-	-	-
Other declined transfers	(23.562)	-	-	-	-
Extension to 31 Jan 2023 of FED/RUC reductions	-	658.130	-	-	-
Total Operating Balance Impact	(675.562)	658.130	-	-	-
Net Debt Impacts					
Small Business Cashflow Scheme expenditure	(425.000)	-	-	-	-
COVID-19 Support Payments expenditure	(227.000)	-	-	-	-
Other declined transfers	(23.562)	-	-	-	-
Extension to 31 Jan 2023 of FED/RUC reductions	-	658.130	-	-	-
Total Net Debt Impact	(675.562)	658.130	-	-	-

- 22 **noted** that the Treasury's fiscal forecasts consider the impact of expected underspends, and that therefore the actual fiscal impact may differ to what is noted in paragraph 21 above;
- 23 **noted** that officials will monitor actual spend over the coming months, and will report back to Ministers by 31 October 2022 on actual demands on the appropriation and any risk of shortfalls.

Rachel Hayward
Acting Secretary of the Cabinet