



Track User Charge (TUC) comes into effect 15 November 2021

We have been letting customers know that the Government's Track User Charge (TUC) comes into effect on Monday, 15 November 2021.

The initial levy will be 3.50% for the first six months to 30 June 2022.

Crown support and investment in rail – an exciting time for us all

No-one welcomes an additional business cost, but the TUC is a contribution to the investment in rail that's happening now. It's an exciting time for rail, with KiwiRail's Government stakeholders having committed over \$6 billion to KiwiRail and the network over the next five years, for the benefit of our customers and all New Zealanders.

Earlier policy and legislative changes have ensured that rail has certainty of funding as part of New Zealand's land transport system. We cannot emphasise enough how important this is to a long-term infrastructure business like KiwiRail, and we are grateful to our shareholders for this confidence and support.

Key commitments include:

- The Crown is supporting investment of over \$400m per annum through the National Land Transport Fund ("NLTF") to pay for rail infrastructure
- 57 new mainline locomotives to replace our South Island fleet and 10 new DL locomotives for the North Island
- Two new rail ferries and terminal infrastructure for the key lifeline between the North and South Islands, scheduled to arrive in 2025 and 2026
- Ongoing wagon replacement incorporating modern designs and the ability to carry heavier payloads
- Upgrades to passenger services and infrastructure in the Wellington and Auckland metro networks
- Investment in a third main for Auckland which will provide greater resilience for freight and integration with City Rail Link
- Further upgrades to the Northland line to Otiria, and building a spur line to Marsden Point

The benefits of rail to our country have been clearly spelt out and include lower carbon emissions, more efficient fuel consumption, lower ongoing road maintenance costs, enhanced safety through reduced road congestion and lower accident risk. Independent research by EY assesses this "Value of Rail" at between \$1.7 to \$2.1bn each year.

Track User Charge (TUC)

We have been talking with many customers and industry bodies about the TUC payable to the NLTF to contribute to the “wear and tear” cost component arising from use of the rail network. It is similar to the Road User Charge that applies to trucks using the roads.

The TUC will be paid by KiwiRail and will go to the NLTF to partially fund investment in the “below rail” infrastructure assets, not to our operations or “above rail” assets such as rolling stock and ferries.

Summary

KiwiRail is a strategic asset for all New Zealanders and as we all look for lower carbon transport solutions, rail has a strong future.

We appreciate your business and thank you for your ongoing support of KiwiRail.

Regards,

Alan Piper | Executive General Manager – Sales and Commercial



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