

MINISTERIAL BRIEFING NOTE

Subject	Update on investigations into tolling of Transmission Gully
Date	21 February 2018
Briefing number	BRI-1247

Contact(s) for telephone discussion (if required)				
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Action taken by Office of the Minister

- Noted
- Seen by Minister
- Agreed
- Feedback provided
- Forwarded to
- Needs change [please specify]
- Withdrawn
- Overtaken by events

21 February 2018

Minister of Transport

UPDATE ON INVESTIGATIONS INTO TOLLING OF TRANSMISSION GULLY

1. The purpose of this briefing is to provide you with an update on investigations into tolling of the Transmission Gully project ahead of the New Zealand Transport Agency (NZTA) engaging the public on its toll proposal.
2. The Transmission Gully project meets a number of criteria that make it suitable for tolling under provisions within the Land Transport Management Act 2003. The legislation requires a decision before completion of the project, which is being constructed under a Public Private Partnership (PPP) agreement with an anticipated opening of mid-2020. To enable tolling, the NZTA next needs to develop a tolling proposal and then assess the public's support thereof.
3. Enabling tolling of Transmission Gully would permit the NZTA to implement a range of options to help better manage demand throughout this corridor. Tolls help achieve a mode neutral long-term solution and could even be a step towards introducing a more modern road pricing system in the medium term. s 9(2)(g)(i)

These options would not otherwise be possible under existing legislation.

Why investigate tolling of state highway links?

4. Tolling is an important part of the NZTA's intervention toolkit because it provides an extra source of raising land transport revenue. It also helps shape demand of the transport system and can play a valuable early role as New Zealand transitions to a more customer centric responsive pricing system in the longer term. Tolling gets people used to paying as they travel and paying extra for certain benefits. To date, the NZTA has established three toll roads, as described in Appendix 1.
5. In line with the NZTA's tolling policy, all new state highway projects are assessed, during development of the business case, against a set of toll criteria to determine their suitability for tolling. If the initial assessment identifies a project as suitable for tolling, a more comprehensive tolling proposal is developed that details the tolling scheme and the degree of community support for it.

Update on Transmission Gully

Overview

6. Transmission Gully was assessed as potentially suitable for tolling. It is one of the roads of national significance (RoNS) enabling economic development and regional connectivity as well as providing inherent additional resilience for Wellington. Its funding for implementation has been approved via the National Land Transport Fund (NLTF).
7. To construct the Transmission Gully project, an \$852 million PPP was awarded in July 2014, with a programmed opening in mid-2020. Under the terms of the PPP agreement, the NLTF will

incur ongoing availability payments for 25 years after opening. If tolled, the terms of the PPP would remain unaffected by changes in use and the NZTA would be entitled to all the toll revenue. s 9(2)(f)(iv), s 9(2)(g)(i)

8. A decision is now needed on whether to proceed with further investigations for Transmission Gully, which will focus on developing a detailed tolling proposal and better understanding public support.

Tolling helps realise a more mode-neutral solution

9. When opened, Transmission Gully is expected to reduce the costs of travel by road within this corridor. Over time, this may result in some increase in the demand for road travel, which may affect the wider network. Initial investigations of travel movements in the corridor indicate that the untolled Transmission Gully route will result in increases in both the total volume of travel in the corridor and also the proportion of this travel that is undertaken by road. There will be a small reduction in the number of trips made by public transport, primarily rail. It is important to note that this occurs because of the improved accessibility provided by the Transmission Gully project, which will allow people to travel to the destinations they wish at the times and using the mode of transport that are the most convenient to them.
10. Tolling of Transmission Gully would attempt to maximise the benefits through the entire corridor. Tolls could counter the perceived cost reductions of traveling by road and help realise a more mode-neutral long-term solution. s 9(2)(g)(i)

Tolling provides a step towards a more modern road pricing system

Out of Scope

14. The NZTA's tolling proposal for Transmission Gully would confirm the details of such a scheme.

Interest from key stakeholders and the media

15. Up to now, local councils have been kept informed given that the former state highways (1 and 58) will potentially be revoked to them and the effect of tolling would need to be understood and considered as part of the negotiations. There have also been recent media enquiries into whether Transmission Gully will be tolled, and continued investigations are likely to attract further interest.

It is recommended that you:

- 1. **Note** that the \$852 million Transmission Gully project has been identified as a candidate for tolling. Yes / No
- 2. **Note** that construction of Transmission Gully is being undertaken as a Public-Private-Partnership, with a programmed opening in mid-2020.
- 3. **Note** that enabling the tolling of the Transmission Gully project provides an opportunity to maximise the benefits through the entire corridor by creating a demand management tool and giving effect to more mode-neutral transport options.
- 4. **Note** that to enable the tolling of the Transmission Gully project the NZTA needs to develop a detailed tolling proposal and confirm public support, which are likely to attract the interest of key stakeholders and the media.
- 5. **Agree** that the NZTA progress the development of a tolling proposal for the Transmission Gully project, which will identify how tolling can be used to help shape demand to enable a more mode neutral corridor. Yes / No



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Fergus Gammie

Chief Executive

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Hon Phil Twyford, Minister of Transport













Date: 2018

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Appendix 1 – Current state highway toll roads

Tolling is governed by specific legislation and other agreements, with the Land Transport Management Act being the key enabling legislation. Through this the Governor-General may, by Order in Council made on the recommendation of the Minister, establish a road tolling scheme. Importantly, only new roads can be tolled, and the funds raised may only be applied for the purposes of planning, design, supervision, construction, maintenance and/or operation of the new road. The legislation also requires that the NZTA demonstrates a degree of community support for the proposed tolling scheme and that a feasible, untolled, alternative route is available.

Under this legislation three state highway toll roads have been established:

	<p>The Northern Gateway toll road is a 7.5km motorway north of Auckland between Silverdale and Pūhoi, part of State Highway 1. Heading north, the toll road begins just before Ōrewa and ends after the Johnstone Hills near Pūhoi.</p>
	<p>  \$2.30  \$2.30  \$4.70 <small>*One way</small> </p> <p>Annual toll revenue (incl. GST) is about \$16.4m</p>
	<p>The Tauranga Eastern Link toll road is a 15km tolled section of State Highway 2 running between the Domain Road interchange, near Pāpāmoa, and the Paengaroa roundabout (State Highway 2 and State Highway 33 to Whakatāne and Rotorua).</p>
	<p>  \$2.00  \$2.00  \$5.00 <small>*One way</small> </p> <p>Annual toll revenue (incl. GST) is about \$7.0m</p>
	<p>The Takitimu Drive toll road, formerly known as Route K Toll Road, is a 5km road that bypasses the Tauranga city centre and takes traffic from State Highway 29 to State Highway 2 in the direction of the Port of Tauranga and Mt Maunganui.</p>
	<p>  \$1.80  \$1.80  \$4.80 <small>*One way</small> </p> <p>Annual toll revenue (incl. GST) is about \$6.7m</p>

A Land Transport Management Order has been established for each of these toll roads. These contain specific conditions in addition to those of the Land Transport Management Act, which include:

- the maximum tolls that can be charged and how they can be varied;
- any exemptions from paying tolls;

- requirements on how tolls are to be collected; and
- any specific reporting requirements that the NZTA must comply with (both prior to opening of the toll road and ongoing).

There are also a range of other agreements, documents and policies that specify the NZTA's commitments to tolling. Those include the toll proposals (submitted to the Minister in advance of requesting an Order in Council) and relevant debt agreements for each of the existing toll roads.

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