

BOARD PAPER

Paper no:	2018/10/1285
Meeting date:	5 October 2018
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Recommended by:	Howard Cattermole, General Manager, Investment & Finance
Board function:	Providing financial assurance to stakeholders and the Board
Subject:	Review of Current Tolling Arrangements

It is recommended that the NZ Transport Agency Board resolves to...

- **Approve** consumer price indexed increases in toll tariffs on Out of Scope Out of Scope Tauranga Eastern Link Toll Road and Out of Scope before 1 July 2019, based on the table below:

	Cars/Motorcycles		Trucks	
	From	To	From	To
Out of Scope				
Tauranga Eastern Link Toll Road (TELTR)	\$2.00	\$2.10	\$5.00	\$5.20

- **Note** the proposed changes are in line with movements in the Consumer Price Index, since the previous increases in 2015, and are necessary in order to meet related debt repayments.

The proposed increase for tolls is to meet debt repayment obligations

- By convention, the NZ Transport Agency has reviewed tolls every three years and sought approval for changes from the Board
- Without the consumer price indexed (CPI) increases, there would be a need to draw on the National Land Transport Fund (NLTF) to cover the loan costs
- The main requirement for the increases is to ensure that contributions to debt repayments preserves the project investment outcomes. With the current traffic assumptions and increased tariff, debts are expected to be repaid in line with the original borrowing assumptions (the base case)
- The Transport Agency does not consider that there would be an increase in traffic diversion, due to the small increase in the tariff. Attachment One has information on tolling volumes and the impact of the previous CPI increases
- There is time and cost involved in increasing the tolling price, with new signage, EPAY changes, customer engagement, system changes and customer accounts. The costs of the change are expected to be in the range of \$200,000-\$300,000; which is likely to take two to three months of the CPI increase to recover

Toll increases must be set in accordance with the relevant Orders in Council

- The Orders in Council for each of the toll roads has similar wording being...
The New Zealand Transport Agency may from time to time set tolls that do not exceed the base toll, with the base toll able to be set through increases in the Consumers Price Index (CPI) from time to time
- OR
The New Zealand Transport Agency may set a toll that applies each time a vehicle uses the XXX and must not set a toll that exceeds an amount as adjusted to increase by the same percentage as the total percentage increase in the CPI
- The increases proposed are in accordance with the Orders in Council and do not require Ministry of Transport approval; however, Ministry of Transport has been informed of the intention to put in place consumer price indexed increases in toll tariffs on [redacted] Tauranga Eastern Link Toll Road (TELTR) [redacted]

Toll tariff increases are constrained by the Orders in Council

TAURANGA EASTERN LINK TOLL ROAD (TELTR)

- Established under clause 8 of the existing Order in Council for the “Land Transport Management (Road Tolling Scheme for Tauranga Eastern Link) Order 2015”

	Car/Motorcycle	Truck	CPI
August 2015	\$2.00	\$5.00	
TBC 2019*	\$2.10	\$5.20	3.65%: September 2015 – June 2018

Out of Scope

Continued...

Toll tariff increases are constrained by the Order in Council

continued

Out of Scope

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The proposed increases will enable the Transport Agency to repay debt in line with the original loan repayments

Out of Scope

- The TELTR has a debt of \$107 million, which covered a portion of costs for the toll road and tolling infrastructure and is debt on the Transport Agency's books

Out of Scope

	Out of Scope	TELTR	Out of Scope
		Year debt repaid	
Base Case		By 2046	
Current Modelling		By 2044	
Without CPI		NLTF will need to top-up more for the shortfall	

The Transport Agency has identified the following next steps

- A detailed project plan (and team) established via Customer Design and Delivery will be required to implement the changes
- This will include:
 - signage changes
 - system changes (through the Kapsch tolling system)
 - retail network change (through EPAY)
 - payment and customer account changes
 - customer engagement and advice
 - a communications package (including media content, website changes and notification through the local newspaper to explain the increases and to ensure the necessary notices are provided as required by the current Order in Council)
- The likely duration of the work and for the team, including the notice period of 28 days, is three months

Attachment One :

Traffic volumes

- The traffic volumes are improving, and following the last increase, there was little in the way of additional diversion
- As noted, the value of using the road to current users appears to have been established, particularly for heavy vehicles

Out of Scope



Continued...

Traffic volumes continued

TELTR Traffic Volumes and Network Usage

Period to	Annual volumes (000)	Percentage increase	Comments
30-June-2016	2,627		Opening August 2015
30-June-2017	3,371		
30-June-2018	3,753	11.35%	

Out of Scope