

NZ TRANSPORT AGENCY BOARD PAPER

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Title of Paper	Transmission Gully Tolling Proposal
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Legal Review	Jessica Andrew, Managing Counsel PNO Lucy Riddiford, Principal Counsel
	In confidence

Purpose

This paper updates the Board on the results of the tolling assessment for Transmission Gully, and based on this assessment, makes s 9(2)(g)(i) [redacted]. It also proposes a possible future direction for tolling and the initial steps for consideration.

Recommendations

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

- **Approve** the s 9(2)(g)(i) [redacted]
- **Note** the proposed approach to complete a review of tolling and support the Ministry of Transport in its work on the future of revenue.
- **Note** that tolling needs to be considered alongside other funding options, such as Public Private Partnerships, s 9(2)(g)(i) [redacted]

Strategic Relevance

From 1 January 2013, it became NZ Transport Agency policy to assess all new road links for tolling suitability, against a set of agreed criteria [refer *Board papers: 2013/03/0713* and *2013/10/0868*].

The assessment uses the criteria to weigh the potential benefits netted by revenue collection, against the possible impacts to delivering outcomes under the Government Policy Statement for Land Transport (GPS), the original project intent, and other requirements under the *Land Transport Management Act, 2003*.

The decision whether to recommend tolling to the Minister of Transport sits with the Board; however, the final decision to progress a tolling recommendation into an Order in Council sits with Cabinet, and this may include permission to publicly consult.

Background

Tolling

Tolling a road is a way for the Transport Agency to collect or supplement funding for roading infrastructure and is legislated for under the Land Transport Management Act, 2003 (the Act).

A toll, according to the Tolling Policy (reflecting Section 46 of the Act), may be placed on a new road for the purposes of:

- a) advancing the project (that is, build the road earlier than otherwise possible) through toll-funded borrowing; and/or
- b) raising additional revenue for the ongoing management of the road.

The revenue from a toll is placed into the National Land Transport Fund (NLTF), and must be applied to the costs of the road from which it was collected.

New Zealand currently has three toll roads: Tauranga Eastern Link (Tauranga), Takitimu Drive (Tauranga), and Northern Gateway (Auckland). These roads were all tolled in order to advance their completion and, historically, the Transport Agency has only utilised tolling to advance the build of a new road.

Tolling assessment

The Tolling Assessment applies a set of agreed criteria to a road project to determine its suitability for tolling [refer Board papers *2013/03/0713* and *2013/10/0868*].

This criteria reflects requirements under the Act, and are as follows:

- a) Toll revenue must be used to contribute to the cost of planning, design, supervision, construction, maintenance, or operation of the new road. Toll revenues must be collected for use only to cover the costs of the new road;
- b) There must be a feasible, un-tolled, alternative route available to road users;
- c) Adequate consultation has been carried out, and there is likely to be an acceptable degree of support for a tolled road from affected communities in the region or regions;
- d) The application of tolling is consistent with project outcomes – this means tolling supports the key project outcomes – that contribute to the value for money assessment of the project and the tolling scheme is acceptably efficient and effective;
- e) Tolling should provide net financial benefits and not result in the project's benefit/cost ratio falling below 1;
- f) Tolling must be implemented in a cost-effective manner that is convenient to users. It is convenient and efficient for users to pay tolls and it is cost-effective for the operator to collect tolls;

- g) The tolling scheme would achieve the Government's priorities set out in the Government Policy Statement for Land Transport (GPS);
- h) The project is large enough in scale to be able to support the fixed costs of tolling;
- i) The number of vehicles expected to use the road (and therefore pay the toll) more than covers the toll-collection costs;
- j) The toll revenue makes a meaningful contribution to the road's construction costs (after deducting the operating and maintenance costs of the road and the tolling mechanism);
- k) It is physically or practically possible to charge tolls.

Overview of Transmission Gully

Transmission Gully is a Public/Private Partnership (PPP) project valued at \$852 million, approved in 2014 as part of the Roads of National Significance (RoNS) programme.

Tolling Transmission Gully for advancing the build was rejected, as the anticipated revenue was expected to be less than the interest incurred to advance the build by a single year.

The outcomes expected to be derived from building Transmission Gully are:

- a) providing an alternative strategic link for Wellington that improve regional network resilience and route security;
- b) assisting in remedying the safety concerns of, and projected capacity and journey time and trip variability problems on the existing SH1 by providing a safe and reliable route between Linden and MacKays Crossing in an environmentally sustainable manner;
- c) assisting in enabling wider economic development by providing a cost-optimised route that better provides for the through movement of freight and people;
- d) assisting integration of the land transport system by enabling SH1 to be developed into a safe multi-functional (including pedestrian and cycle friendly) alternative to the proposed strategic link.

Transmission Gully was subjected to a preliminary tolling assessment in 2017 (refer Board paper: 2017-03-164). This assessment identified the need for further investigation.

Key issues

Recommendation One: Summary Results of the Tolling Assessment for Transmission Gully

Section 9(2)(g)(i)

[REDACTED]

Released under the Official Information Act 1982

ii)

Section 9(2)(i)

section 9(2)(i)

Section 9(2)(g)(i)

e)

Section 9(2)(g)(i)

f)

Section 9(2)(g)(i)

Further details of the assessment against all criteria can be found in Attachment One.

Recommendation Two: Review of tolling

The result from the Transmission Gully assessment, and the process throughout, has highlighted a number of practical opportunities for review, including:

- a) the legislative constraints of the Land Transport Management Act, 2003 (and subsequent associated policies);
- b) time constraints of the Order in Council process; and
- c) the costs to run the scheme (infrastructure and back office systems).

Additional to these constraints, a Customer Insights Study completed by TRA, highlighted the desire for a whole-of-network approach to transport development and management, resulting in a more robust and efficient and less fragmented network.

In response to this, a value for money review has been initiated to look at both the current and potential future of tolling within the context of a whole-of-network approach. This review will encompass:

- a) Completing a value for money review of systems and processes;

- b) Reviewing current legislation (Land Transport Management Act) for enabling opportunities, including reviewing the Order in Council processes and requirements within the context of change;
- c) Subsequently update the Transport Agency's tolling policy;
- d) Identifying new and upcoming technology, which may enable increased cost-effectiveness now and into the future, within the context of potential network-wide application.

Health & Safety, Customer & Other Stakeholder and Environmental Impact

The impact of this decision is considered by the NZ Transport Agency to be *neutral* in terms of health and safety, the public and other stakeholders, and the environment

Section 9(2)(g)(i)

[REDACTED]

Managing communications

Information has been released under the Official Information Act 1982, and made public via the media, in which the Minister of Transport was quoted in *Stuff* (2 July 2018), as giving the 'green-light' to considering a toll on Transmission Gully for demand management purposes. This was confirmed by the Minister in the same article.

Due to the

Section 9(2)(g)(i)

[REDACTED]

It is recommended any statement is released in conjunction with the MoT, the department leading the development of any overarching strategy for demand management

Related Documents

Attachment One

Transmission Gully tolling assessment – Summary of results against criteria

Released under the Official Information Act 1982

Released under the Official Information Act 1982