

In confidence

Tolling programme decisions

ELT owner: Transport Services Group General Manager, Brett Gliddon
Issue owner: Robyn Elston National Manager System Design

Whāinga | Purpose: For decision

This paper updates the Board on three roads in the NZ Transport Agency Waka Kotahi tolling programme:

- Takitimu North Link
- Ōtaki to north of Levin
- Te Ahu a Turanga Manawatū Tararua Highway (Manawatū Gorge)

He kupu whakatau | Recommendations

Management recommends the Board:

- **Approves** the recommendation to the Minister of Transport for the initiation of public consultation and scheme development for tolling of Takitimu North Link.
- **Approves** the resubmission of the recommendation to the Minister of Transport for the initiation of public consultation and scheme development for tolling of Ōtaki to north of Levin.
- **Approves** the reconsideration of Te Ahu a Turanga Manawatū Tararua Highway (Manawatū Gorge) for tolling.
- **Notes** that should the Minister agree to the Board's recommendations above, the next steps will be to undertake public consultation.
- **Notes** that Te Ahu a Turanga Manawatū Tararua Highway was assessed for tolling in 2020 against the GPS of the day and the Board recommended not to proceed. However, there is now an opportunity to review this assessment based on the revised GPS (2024).

Take matua | Key points

- The draft GPS 2024 sets an expectation that NZTA should consider tolling to construct and maintain all new roads. It states that the Government will support all recommendations by NZTA to toll roads.
- The NZTA Board approved recommending tolling Ōtaki to north of Levin (Ō2NL) at their August 2022 meeting, no response was received from the then Minister of Transport. NZTA intends re-submit the Ō2NL recommendation to the Minister.
- Te Ahu a Turanga: Manawatū Tararua Highway was assessed (2019) as being suitable for tolling and NZTA is now developing this tolling proposal further for reconsideration by the Board.
- An assessment of funding, financing, and delivery options has shown that tolling Takitimu North Link would meet the requirements set out in the Land Transport Management Act 2003 (LTMA).

He kōrero mō tēnei kaupapa | Background

The LTMA permits the establishment of road tolling schemes to provide funds which can be applied to the planning, design, supervision, construction, maintenance, or operation (or any combination of these activities) of the tolled road. A road can only be tolled if it is a new road.

The decision whether to recommend tolling to the Minister of Transport sits with the Board. This includes seeking permission to publicly consult. Following consultation, the final decision to recommend the establishment of a road tolling scheme to the Governor-General through an Order in Council sits with the Minister. The Minister may consult with Cabinet before making such a recommendation.

The draft GPS 2024 sets an expectation that NZTA should consider tolling to construct and maintain all new roads. Importantly, it also states that the Government will support all recommendations by NZTA to toll roads.

The draft GPS 2024 also signals the importance of unlocking the full potential of transport revenue and financing tools. The Ministry of Transport and NZTA are currently progressing a joint programme of work to reform and redesign the transport revenue system. Reform of tolling legislation is included as part of the programme – providing us with an opportunity to make better use of the existing network and to maximise an additional revenue stream to fund the construction and maintenance of RoNS.

Context – current toll roads

There are currently three toll roads in operation in New Zealand

Northern Gateway	7.5km motorway north of Auckland between Silverdale and Pūhoi	\$2.60 for light vehicles \$5.20 for heavy vehicles
Tauranga Eastern Link	15km tolled section of State Highway 2 running between the Domain Road interchange, near Pāpāmoa, and the Paengaroa roundabout	\$2.30 for light vehicles \$5.60 for heavy vehicles
Takitimu Drive, Tauranga	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	\$2.10 for light vehicles \$5.40 for heavy vehicles

Tolling advice on Penlink was provided in 2022 and a Ministerial Decision took place in 2023

- In April 2022, following public consultation, NZTA provided a tolling proposal for Penlink to the then Minister of Transport. Further advice was provided by the Ministry of Transport to the then Minister of Transport in June 2022.
- In March 2023, the then Minister of Transport in consultation with Cabinet approved the proposal to toll Penlink.

The toll rates set for the existing three roads and rates proposed for Penlink balance generating sufficient revenue to pay for the new road (capex or opex) against potential negative impacts on the wider network (eg amount of diversion away from the new road and onto the free alternative route). If we were to take an approach which maximises revenue through the setting of toll rates we would need to review and update our internal policy settings.

Kia mōhio mai koe | What you need to know

Ōtaki to north of Levin (Ō2NL) highway

At the August 2022 meeting, the NZTA Board approved recommending [tolling Ōtaki to north of Levin \(Ō2NL\) highway](#) to the then Minister of Transport. A Ministerial briefing was provided in October 2022 however no response was received. We will re-submit the Ō2NL recommendation to the Minister shortly, and should this recommendation be approved, we will do so together with the Takitimu recommendation.

Te Ahu a Turanga: Manawatū Tararua Highway

State Highway 3 through the Manawatū Gorge has been closed indefinitely since slips caused major damage to the road in April 2017. Te Ahu a Turanga is a new 11.5km 100km/h single carriageway road built over the Ruahine Range, to provide a safe, resilient, and efficient route between Woodville and Ashhurst.

The tolling assessment of Te Ahu a Turanga Manawatū Tararua Highway was presented at the 19 March 2020 Board meeting. At the time, the NZTA Board did not consider Te Ahu a Turanga appropriate for tolling due to the low benefits associated with the anticipated revenue (ranging from \$12-66m) compared with negative impacts to safety and access. At that time, the impacts included social cost of the shift of traffic continuing to move through Ashhurst and decreased safety benefits of between \$4-7m therefore Te Ahu a Turanga was not recommended for tolling.

On 6 April 2020 Minister of Transport Hon Phil Twyford accepted the Board's recommendation that Te Ahu a Turanga is not suitable for tolling.

Since that time, the alternative routes of Saddle Road and Paihiatua Track have been updated and have addressed a number of safety and resilience issues identified in 2020.

NZTA has reviewed the 2020 gate one assessment of this road and it continues to meet the criteria for tolling. We have initiated the gate two assessment to update the modelling with new data and scheme definition and will return to the Board in August. The criteria will need to be assessed against the current GPS guidance and an updated review of the modelling in line with more recent toll assessments will need to be undertaken. The timeframe for completion of these processes and decisions is challenging.

The new road is due for completion in the middle of 2025. **section 9(2)(f)(iv)**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Next steps

We will provide the proposed Te Ahu a Turanga Manawatū Tararua Highway scheme at the August 2024 Board meeting. Should the Board approve the approach, we will seek the Minister's approval to proceed to public consultation. In parallel with this we would work with the Ministry of Transport to confirm the Order in Council timeframes and overall feasibility.

Takitimu North Link

An assessment of funding, financing, and delivery options has shown that tolling Takitimu North Link would meet the requirements set out in the Land Transport Management Act 2003 (LTMA)

Toll revenues would make a positive contribution to the costs of the project. Construction of Stage Two of Takitimu North Link has a cost estimate of between \$900m and \$1.2bn. Based on a 35-year tolling scheme, toll revenue could finance around \$494m of borrowing (41% - 54%, depending on the final cost of the project). Construction funding not covered by tolling revenue (\$400-700m) would need to be funded from the NLTF or other funding mechanisms.

As we approach the repayment of the loan (approximately 35 years) we would consider whether to keep tolling the road to cover operating and maintenance costs (estimated to be \$53m over 35 years), given the cost of building the road exceeds the tolling recovery.

A preferred variable tolling scheme (Resource 1) has been identified with different tolls charged for peak and off-peak periods

Stage One from day of opening (late-2027) – revenue from stage one will fund stage 2		
Stage one single toll point	Light vehicle toll of \$3.10 peak / \$2.10 off-peak,	Heavy vehicle toll of \$6.20 peak / \$4.20 off-peak.
Stage Two opens (estimated 2032):		
Travelling full length under both toll points Stage One and Stage Two. (End to end)	Light vehicles \$4.10 peak \$3.10 off-peak	Heavy vehicle toll of \$8.20 peak / \$6.20 off-peak
Travelling under a single toll point (either toll point) not end to end.	Light vehicles \$3.10 peak / \$2.10 off-peak	Heavy vehicle toll of \$6.20 peak / \$4.20 off-peak

The toll scheme would allow up to \$494m to contribute towards planning, design, supervision, construction, maintenance, and/or operational costs.

Annual tolling revenue on opening of Stage One is estimated to be approximately \$12.3m per annum (2023 dollars) and \$23.0m (2023 dollars) on opening of Stage Two. Revenue from both stage one and two will be used to contribute towards the planning, design, supervision, and construction of Stage 2.

section 9(2)(b)(ii)

section 9(2)(b)(ii)

section 9(2)(b)(ii)

Tolling Takitimu North Link can help relieve pressure on the NLTF and support transport outcomes

Tolling will make a positive contribution to the costs of the project whilst maintaining a positive contribution towards the GPS priorities of economic growth and productivity (through improved freight connectivity), safety, and increased resilience. An equitable outcome for road users that choose not to travel on a tolled Takitimu North Link is achieved through the availability of the existing SH2 as an untolled route.

section 9(2)(h)

Project objectives and wider transport system impacts

The objectives of Takitimu North Link are to improve safety, improve travel times and travel time reliability and support subregional growth and development in the Western Bay of Plenty. Tolling Takitimu North Link would continue to meet these objectives.

The traffic volume effects of a tolled Takitimu North Link on SH2 in 2031 are shown in the table below. The impact of tolling is for some traffic to reroute to the free alternative, chose alternate modes or not travel at all. Modelling indicates that revocation activities on the existing SH2, such as speed reduction, would reduce the level of diversion. A revocation plan will also be reported to the NZTA Board in August 2024.T

Daily vehicle Flows

	2022	2031 S1 & S2 Untolled	2031 S1 & S2 Tolled
Takitimu North Link S1	-	34,900	21,000
Existing SH2 – Wairoa Bridge (Free alternative)	23,874	9,700	18,100
Total	23,874	44,600	39,100
Takitimu North Link S2	-	34,900	19,300
Existing SH2 – Te Puna (Free alternative)	21,037	4,100	10,700
Total	21,037	39,000	30,000

Modelling indicates that tolling Takitimu North Link makes no change (as compared to an untolled road) to state highway travel times between the CBD and Omokoroa, and adds up to one minute for trips utilising the free alternative.

He whakaaro anō | Other key considerations

Ō ti s hononga | Partner, community, and stakeholder considerations

NZTA has an agreement with hapū to undertake an assessment as to whether there are any cultural effects in relation to tolling Takitimu North Link. If cultural effects are identified, the parties agree to work together in good faith to identify appropriate mitigation which is likely to include further cultural mitigation.

Adequate public consultation is a requirement for Takitimu, O2NL and Te Ahu a Turanga under the LTMA. Should the recommendation to pursue tolling and commence public consultation be accepted by the Minister, it is proposed that the consultation process would take place over a period of three to four months. In the case of Te Ahu a Turanga this would be required to happen without delay and as efficiently as possible.

Ngā tūraru matua | Key risks and how we will manage them

Key risk	Management
NZTA has not previously proposed a tolling scheme with a staged implementation which treats a road constructed in stages as a single road.	<ul style="list-style-type: none">Detailed and documented rationale.
Lack of community and stakeholder support	<ul style="list-style-type: none">Comprehensive communications and engagement approach. Takitimu will require cultural mitigation, which will be developed.
Timing – Sufficient lead times Tolling decision not made in time	<ul style="list-style-type: none">section 9(2)(f)(iv) [REDACTED]Projects required to proceed with activity for both a tolled and un-tolled scenario.To legally operate a toll road an Order in Council must be in place prior to the road opening. NZTA will work with the Ministry of Transport to identify a delivery plan.section 9(2)(b)(ii) [REDACTED]

Key risk	Management
Any construction delays of Takitimu Stage two would lengthen the time the community is contributing to the costs of the new road without accessing it	<ul style="list-style-type: none"> Ensure community engagement is maintained and any delays are well communicated

Ā muri ake nei | Next steps

Should the **Takitimu North Link** recommendation in this paper be approved, we will submit a briefing and recommendation paper to the Minister of Transport.

The paper will also include the recommendation for **Ō2NL**, noting we have not received Ministerial direction.

Should the Board agree to reconsider **Te Ahu a Turanga** for tolling, the tolling proposal would be reviewed and resubmitted to the August 2024 Board meeting, we will then need to seek the Minister's approval to proceed to public consultation. If the Minister agrees, we will develop a tolling consultation engagement strategy and go out for community consultation. Following engagement, we will report back to the Board with a final tolling recommendation.

Timing will be dependent upon the Minister's decisions, but is anticipated to be approximately 3-6 months to prepare for and undertake consultation and feedback to the NZTA Board (Attachment 1).

More broadly, there will be significant work undertaken on tolling during this NLTP period (Attachment 2).

Ngā whakapiringa | Attachments

Attachment 1	Takitimu North Link indicative programme
Attachment 2	Tolling status update

Resource Centre (Diligent)

Document 1	Tolling Assessment
------------	------------------------------------