

MINISTERIAL BRIEFING NOTE

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| Subject | New Zealand Upgrade Programme: O Mahurangi Penlink tolling |
| Date | 30 January 2024 |
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| 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- Withdrawn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

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30 January 2024

Hon Simeon Brown – Minister of Transport

NEW ZEALAND UPGRADE PROGRAMME: O MAHURANGI PENLINK TOLLING

Purpose

1. This briefing provides information on O Mahurangi Penlink (Penlink) tolling, including why Penlink was proposed as a tolled road, the 2022 tolling recommendations, and the alternate options of not tolling Penlink. It follows on from advice provided by New Zealand Transport Agency Waka Kotahi (NZTA) on 18 December about **Out of Scope** and information on the tolling scheme [MIN-4341 refers].
2. Ministry of Transport advice on this matter is summarised in paragraphs 27 to 29.

Background

3. The Penlink project has allocated funding of \$830 million through the New Zealand Upgrade Programme (NZUP)¹. The project scope as identified in the Establishment Report (2020) and baselining (2021) was a 7km long, two-lane tolled road with an adjacent separated, shared walking and cycling path to provide travel choice for those living or visiting the Whangaparāoa peninsula. Since 2006, all engagement between the relevant Road Controlling Authorities and the public on Penlink has consistently positioned the road as being proposed for tolling.
4. The detailed design for Penlink is complete and has been based on it being a two-lane tolled road. The project is now seven months into the construction phase and currently forecast to be completed in late 2026.
5. Once complete Penlink will form a vital transport link in north Auckland as more people live and work in Silverdale, Whangaparāoa and the Hibiscus Coast. The new two-lane road will support connected transport networks in north Auckland and people will have significantly improved travel times between Whangaparāoa and north Auckland by up to 20 minutes², leading to greater economic productivity. Users of Penlink will also have better reliability across all modes supporting transport choice.

Summary of legislative requirements for tolling

6. The Land Transport Management Act 2003 (LTMA) permits the establishment of road tolling schemes. Tolling funds can only pay for the planning, design, supervision, construction, maintenance or operation (or any combination of these activities) of a new road. NZTA assesses the potential suitability of tolling for all new state highway links.

¹ Note this funding is for the capital costs of the project. Ongoing operations and maintenance costs for the road were not provided for in the NZUP funding.

² As demonstrated by NZTA traffic modelling.

7. The Minister of Transport has sole responsibility in considering and recommending the establishment of a road tolling scheme to the Governor-General through an Order in Council. The Minister may consult with Cabinet colleagues before making such a recommendation.
8. In making a recommendation to the Governor-General, the LTMA requires the Minister of Transport to be satisfied:
 - that there has been adequate public consultation on the proposed tolling scheme
 - with the level of community support for the proposed tolling scheme
 - that a feasible, untolled, alternative route is available to road users, and
 - that the proposed tolling scheme is efficient and effective.

Tolling advice on Penlink was provided in 2022 and ministerial decisions took place in 2023

9. 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 (its key concerns are outlined in paragraphs 27 to 29 below). NZTA and the Ministry had differing positions on whether Penlink should be tolled.
10. In March 2023, the then Minister of Transport, in consultation with Cabinet, approved the proposal to toll Penlink.

Reasons why NZTA recommended Penlink being delivered as a tolled road (the current status quo option)

Tolling can generate funding from users of Penlink to pay for ongoing cost

11. While the capital cost of Penlink will be funded by the Crown, no provision has been made for the ongoing operating and maintenance costs of these new investments, which will ultimately fall on the National Land Transport Fund (NLTF), in the absence of other arrangements.
12. As a road controlling authority, NZTA assesses the potential suitability for tolling of all new roads that it is responsible for. Penlink satisfied NZTA internal assessments, which consider whether core legislative requirements can be met (e.g. new road, feasible untolled alternative routes are available) and the extent to which the proposed scheme is efficient, effective and represents value for money.
13. Although only seven kilometres long, Penlink will be built over very difficult geological terrain, with several structures including a significant bridge crossing the Weiti River. The ongoing operation and maintenance of the road, and the Weiti bridge crossing, means that it will be more expensive over its life compared to most roads performing this local connection function on the transport network.

14. s 9(2)(j) [Redacted]
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[Redacted]
[Redacted] s 9(2)(j) [Redacted]
[Redacted]

s 9(2)(j) . Using toll revenue to pay for these costs would help to reduce pressure on NLTF as a call on those funds would not be needed. Comprehensive modelling has been undertaken in setting the peak and off-peak rates, and NZTA is confident the right balance has been struck between achieving travel time and network benefits whilst still ensuring equity for users of Penlink.

15. As a local/arterial road, Penlink will serve a very specific set of communities – strongly indicating that a funding contribution to the ongoing costs of the road from those who use the road is appropriate. This contribution of funding can supplement land transport revenue and thereby help to reduce pressure on the NLTF.

Tolling Penlink improves trip reliability and operation of the road as well as the wider roading network

16. Key transport benefits and outcomes supported by tolling Penlink are:
- Better supporting the achievement of Penlink project objectives through improved public transport services between Whangaparāoa-Silverdale and Whangaparāoa-Albany with more reliable journey times
 - Improving the operation of Penlink (travel time savings and trip reliability), but not at the expense of existing routes
 - Reducing journey time variability for public transport, making it more attractive and encouraging greater travel choice
17. The project's tolling assessment shows that tolling helps to manage traffic across the wider roading network, providing increased level of service at Silverdale and for Penlink. Modelling of the anticipated annual average daily traffic (ADT) difference on Penlink at opening is approximately 7000-8000 ADT less between a tolled scenario (18,000ADT) and not tolled (25,500ADT), indicating that a significant number of people would be prepared to pay the toll to reduce their travel time (this is also reflected in feedback through public consultation summarised in paragraph 25).

Key tolling recommendations from NZTA on tolling Penlink put forward to the then Minister of Transport

18. NZTA proposed a tolling scheme with two toll points for Penlink as shown in Figure 1 below. Drivers would be charged each time they pass through a toll point – if both toll points are crossed, then two toll rates would be aggregated for the road user. The proposed location of toll points has been specifically designed to ensure that travel between four other access points on Penlink would remain untolled and thereby provide people living along Penlink with the option of a free route as required under the LTMA.³

³ The Whangaparāoa road will be available as the alternative route for the Peninsula.



Figure 1: Proposed toll points on Penlink

19. The proposed Penlink tolling scheme incorporates variable tolls for light vehicles:
 - Toll point A - toll rates are proposed at \$2 during peak hours (weekdays 6am to 9am and 4pm to 7pm) and \$1 in the off-peak (including Saturdays, Sundays and Public Holidays).
 - Toll point R1 - the toll rate is proposed to be set at \$1 during both peak and off-peak.
20. The total toll payable for light vehicles if travelling end to end would therefore be \$3/\$2 (peak and off-peak).
21. The toll rates for heavy vehicles are proposed at twice the rate of light vehicles at peak and off-peak times on Penlink. Public transport buses using Penlink would be excluded from the tolls.
22. Tolling will utilise our existing free-flow electronic toll collection system. Automatic number plate recognition technology identifies vehicles as they pass a tolling point.

Outcomes from the public consultation

23. NZTA sought public feedback on the initial tolling proposal from 17 January to 13 February 2022. Of the 3,337 unique responses received from the community and stakeholders:

- 37 percent supported tolling Penlink – with 20.5 percent (686 submitters) supporting it as proposed and 16.5 percent (551 submitters) supported tolling but with changes to the proposal.
 - 60 percent didn't support tolling.⁴
24. Following the consultation, NZTA reduced the tolls by 25 percent for end-to-end peak trips which helps to address concerns from some submitters that the toll rates were too high. A third toll point originally proposed at Stillwater was not pursued which helps to improve the efficiency of the tolling scheme. Overall NZTA considers that these improvements to the final tolling scheme help to address some of the concerns raised by submitters on the proposal that was consulted on.
25. When presented with a number of options about how submitters would use Penlink, 866 submitters (26 percent) indicated that they would refuse to travel on a tolled Penlink. This suggests that although 60 percent of submitters were opposed to the proposed toll scheme, a large proportion of submitters would use Penlink even if it was tolled.
26. Levels of support for tolling schemes that bring forward construction of infrastructure tend to be higher given that the potential benefits of the infrastructure cannot be gained by stakeholders unless they pay for it. As there is no link to earlier construction for the Penlink tolling proposal, opposition to tolling is to be expected. Compared to public feedback on the Pūhoi to Warkworth tolling proposal (which was considered but not approved in 2021), which also did not bring forward construction of the road, there is a higher level of support for tolling of Penlink (i.e. full or conditional support for tolling of Penlink is 37% compared to only 22% for Pūhoi to Warkworth).

Ministry of Transport's advice on tolling Penlink

27. In its advice to the then Minister of Transport in July 2022, the Ministry of Transport advised that largely due to traffic diversion (of 30 percent onto the longer untolled alternative route) tolling Penlink would:
- result in a 42 percent reduction in project benefits, equivalent to \$151 million in forgone benefits, see Annex 1
 - significantly diminish the safety benefits of the project whilst concurrently increasing individual vehicle and road operating costs
28. The impact of tolling on emission reduction, relieving congestion, and increasing public transport ridership would be nominal. Tolling yields a 30-cent return on every dollar invested, whereas opting not to toll the route results in a 50-cent return on the investment.
29. Given all these factors, the Ministry of Transport advised that the proposed tolling scheme was not in its view efficient or effective, as per the test under the LTMA. The Ministry acknowledged it was open for the Minister, as the ultimate statutory decision marker, to take a different view on whether the test was satisfied.

⁴ The remaining 3 percent of submitters were undecided about whether Penlink should be tolled.

Option of not tolling Penlink

30. The alternative option to tolling Penlink (Option 1 - the preferred option endorsed by the NZTA Board) would be to deliver it as an untolled road either with the same design (Option 2a) or a different design (Option 2b).

Option 2a – Maintain the current design

31. Traffic modelling shows that not tolling Penlink results in much higher traffic volumes and increased congestion on Penlink, which would lead to poor user experience and travel reliability disbenefits during peak times.
32. Assessments found that without tolling, Penlink would be congested upon opening at either ends of the new road as these scenarios relocate the majority of traffic from Silverdale to Penlink.
33. This increased congestion would be most evident at the Penlink to SH1 motorway interchange, where an additional 500-600 vehicles are expected to use the southbound on-ramp and northbound off-ramp during the morning and evening peaks. This congestion will likely result in queues forming back from the interchange, adversely impacting journey travel time and reliability, user experience and potentially creating safety risks.

Option 2b – Redesign the road

34. If Penlink is not tolled, we would recommend additional infrastructure to offset the effects of additional peak-time vehicles and increased congestion.
35. A full evaluation of this additional infrastructure has not been undertaken, but a preliminary assessment was completed as part of the Implementation Business Case in early 2022. This identified that alterations would be required to the two ends of Penlink (Whangaparāoa Road intersection and the SH1 interchange on and off ramps), as well as upgrading the road shoulders along Penlink to allow for bus running lanes.
36. It may also require wider network upgrades (i.e. to Whangaparāoa Road) and/or possibly additional southbound lanes on SH1 from Penlink to Oteha Valley Road. As noted above, Auckland Transport would have to reconsider their network plans if a non-tolled option proceeds.
37. If Option 2b is progressed, then construction work would need to be halted until this is complete. The project is now in the construction phase and there would be significant time and commercial implications of stopping construction to update the design.
38. The additional works themselves would have substantive cost implications. These changes would also involve a substantial delay for the project.

Next steps

39. As Minister of Transport, it is your decision whether to proceed with tolling Penlink. Procurement of the tolling infrastructure was scheduled for February 2024, but this has been put on hold until NZTA has certainty that you support tolling Penlink.

It is recommended that you:

1. **Confirm** whether Penlink should proceed as a tolled road as per NZTA's 2022 tolling proposal.

Yes/No



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Brett Gliddon

Group General Manager – Transport Services

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Hon Simeon Brown, Minister of Transport

Date: 2024

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Annex 1 - Net impact on society (Source - Table 18 - Penlink Business Case)

| Penlink | Untolled | Tolled | Difference if tolled |
|---|-----------------|-----------------|----------------------|
| Benefits * | | | |
| Travel time and congestion reduction | \$897m | \$911m | +\$14m |
| Vehicle operating cost reduction and trip reliability | \$217m | \$172m | -\$45m |
| Crash reduction | \$31m | \$18m | -\$13m |
| Alternative mode increase | \$10m | \$10m | \$0m |
| CO ₂ reduction | \$0m | \$6m | +\$6m |
| Total Benefits | \$1,156m | \$1,116m | -\$40m |
| Costs | | | |
| Construction costs | \$712m ** | \$703m | +\$9m |
| Maintenance costs | \$69m | \$69m | \$0m |
| Toll collection costs | \$0m | \$120m *** | +120m |
| Total Costs | \$781m | \$892m | +\$111m |
| Benefits over costs | | | |
| National welfare benefits (BCR) | 1.5 | 1.3 | +\$151m |

Notes:

* The revenue raised from tolling Penlink is not factored into the benefit cost analysis. In this respect the burden lifted from the NLTF (estimated to be \$47 million over first 10 years) is not recognised in this assessment, but the costs of collecting that revenue are as indicated later in the table.

** These construction costs allowed for bus shoulder upgrades only and do not pick up costs for wider infrastructure upgrades necessary to enable efficient travel and user experience (i.e. intersection and interchange upgrades at each end of Penlink).

*** This benefit cost analysis is based on a 60-year assessment period, so this figure relates to the toll collection costs and maintenance of the tolling infrastructure over this time period.