

In confidence

Tolling programme decisions

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Whāinga | Purpose

This paper seeks Board approval to recommend tolling to the Minister of Transport for:

- State Highway (SH) 3 Te Ahu a Turanga - Manawatū Tararua Highway (Manawatū Gorge)
- SH1 Ōtaki to north of Levin SH2
- Takitimu North Link.

This paper also seeks Board approval for the revised submission of the Penlink Tolling Scheme proposal to the Minister of Transport.

He kupu whakatau | Recommendations

Management recommends the Board:

- **Approves** the submission of the revised SH3 Te Ahu a Turanga - Manawatū Tararua Highway tolling scheme proposal to the Minister of Transport.
- **Notes** that the revised SH3 Te Ahu a Turanga - Manawatū Tararua Highway tolling scheme reduces the proposed toll rates to \$2.80 (light vehicles) and \$5.60 (heavy vehicles).
- **Notes** that NZTA's temporary responsibility for costs of maintaining and operating the alternatives routes of Saddle Road, Pahiatua Track and Ballance Valley Road will return to local councils on opening of SH3 Te Ahu a Turanga.
- **Approves** the submission of the SH1 Ōtaki to north of Levin tolling scheme proposal to the Minister of Transport as per the consultation option.
- **Approves** the submission of the revised SH2 Takitimu North Link tolling scheme proposal to the Minister of Transport.
- **Notes** that the revised SH2 Takitimu North Link tolling scheme:
 - extends the peak hours of operation; and
 - provides an exemption from paying SH2 Takitimu North Link tolls for if users are also travelling on the adjacent SH29 Takitimu Drive toll road as part of the same journey.
- **Approves** the revised Penlink tolling scheme proposal for the Minister of Transport which reduces the number of toll points from two to one.

Take matua | Key points

- Consultation on the three proposals (SH3 Te Ahu a Turanga, SH1 Ōtaki to north of Levin, and SH2 Takitimu North Link) was undertaken between 9 September and 7 October 2024. A minority of submitters support the proposed tolling or the proposed tolling with changes.
 - 9% (1,121 submitters) for SH3 Te Ahu a Turanga,
 - 19% (565 submitters) for SH1 Ōtaki to north of Levin

- 27% (624 submitters) for SH2 Takitimu North Link.
- Penlink was assessed for tolling and consulted on in 2021/22 with the decision to recommend the establishment of a road tolling scheme taken by the previous Minister of Transport on 1 June 2022. In alignment with GPS 2024 measures were taken to update and reduce the costs of tolling infrastructure, NZTA also reviewed the Penlink 2020 proposed tolling scheme for further efficiencies.
- We propose to reduce the toll levels for SH3 Te Ahu a Turanga. This is informed by updated traffic and financial modelling and in response to the high level of opposition to the proposal and the concerns raised by the community and stakeholders.
- For SH2 Takitimu North Link we propose to keep the toll rates consulted on but:
 - Extend the peak hours of operation from 7am-9am to 6am-9am and from 4pm-6pm to 3pm-6pm. This is to align the toll period with peak period traffic flows.
 - Exempt users of both SH2 Takitimu North Link and the adjacent SH29 Takitimu Drive toll road from paying SH2 Takitimu North Link tolls.
- No changes are proposed to the SH1 Ōtaki to north of Levin tolling proposal following consideration of the consultation submissions

He kōrero mō tēnei kaupapa | Background

Toll consultations

SH3 Te Ahu a Turanga, SH1 Ōtaki to north of Levin, and SH2 Takitimu North Link satisfy NZTA internal assessments for tolling suitability. The assessment considers whether core legislative requirements can be met (e.g. new road, feasible untolled alternative routes are available) and whether the proposed scheme is efficient, effective and represents value for money.

At its September 2024 meeting, the Board approved recommending tolling SH3 Te Ahu a Turanga, SH1 Ōtaki to north of Levin, and SH2 Takitimu North Link and the initiation of public consultation to the Minister. The Board also noted the proposed tolling strategies for consultation as outlined below (toll rates in 2024 dollars).

Scheme	Light vehicle toll rate	Heavy vehicle toll rate
SH3 Te Ahu a Turanga	\$4.30	\$8.60
SH1 Ōtaki to north of Levin	\$2.70	\$5.40
SH2 Takitimu North Link	TNL Stage 1 or Stage 2: Peak \$3.10 / Off-Peak \$2.10 TNL Stage 1 & Stage 2: Peak \$4.10 / Off-Peak \$3.10	TNL Stage 1: Peak \$6.20 / Off-Peak \$4.20 TNL Stage 1 & Stage 2: Peak \$8.20 / Off-Peak \$6.20

In September 2024, the Minister approved NZTA undertaking public consultation on the proposed tolling schemes. Section 48(1) of the Land Transport Management Act 2003 (LTMA) requires that the Minister be satisfied:

- that there has been adequate consultation on the proposed tolling scheme, and
- with the level of community support for the proposed tolling scheme in the relevant region or regions.

Penlink

Penlink is a 7km highway between Whangaparaoa Road and SH1 at Redvale north of Auckland. It is currently in construction and scheduled to open late 2026.

The road was assessed for tolling and consulted on in 2021/22 with decision to recommend the establishment of a road tolling scheme taken by the previous Minister of Transport on 1 June 2022. This was based on a scheme consisting of two tolling points with an end-to-end toll rate of \$3 at peak and \$2 off-peak for light vehicles (\$6 at peak and \$4 off-peak for heavy vehicles).

On reviewing the scheme, a more cost-efficient toll proposal was possible by reducing the number of toll points and implementing alternative roadside technologies.

The final proposed tolling scheme for Penlink has changed from a dual toll point to single toll point with end-to-end toll rates remaining unchanged. Using a single gantry may result in a small impact to revenue depending on medium to long term land-use growth impacts.

Reducing tolling infrastructure costs supports the efficiency and effectiveness direction in the GPS 2024. Tolling revenue would provide around \$122m (35-year analysis period) which would offset all maintenance and operational costs.

Kia mōhio mai koe | What you need to know

The LTMA permits the establishment of road tolling schemes to provide funds that 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 following public 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 Government Policy Statement on land transport (GPS) 2024 sets an expectation that NZTA should consider tolling to fund construction, operations and maintenance of all new roads. It also states that the Government will support all recommendations by NZTA to toll roads. Our national tolling programme is presented in Attachment 1.

A summary of the final tolling proposals and consultation feedback for the three tolling proposals is included in Attachment 2 with the full tolling proposals and consultation reports available via the resource centre.

SH3 Te Ahu a Turanga: Manawātū Tararua Highway

The level of feedback through the consultation process on SH3 Te Ahu a Turanga was significant with 12,076 submissions. Most people we heard from lived locally (4571 respondents, 38%), with a further 30% indicating they live in Palmerston North and 19% elsewhere in the Manawātū/Whanganui region. 6% of respondents told us they live in Hawke's Bay 6%, and 4% in the Greater Wellington region. The remaining 3% live throughout other regions in New Zealand and offshore.

The level of support for tolling SH3 Te Ahu a Turanga was low with 9% (1121) in support of the proposed toll scheme. When presented with a number of questions about how submitters would use SH3 Te Ahu a Turanga however, only 6,041 submitters (42%) indicated that they would refuse to travel on a tolled SH3 Te Ahu a Turanga. This suggests that although the majority were opposed to the proposed toll scheme, just under 60% would still be willing to use it even if it was tolled.

In addition to feedback on the tolling scheme in general, substantial feedback has been received in relation to three key issues relating to the tolling proposal and process:

- whether SH3 Te Ahu a Turanga can be considered a new road under the legislation;
- whether NZTA followed its own policy; and
- the impact on council and ratepayers of having to maintain the feasible alternatives.

New road requirement

Substantial feedback has been received in relation to SH3 Te Ahu a Turanga being a replacement road for the closed SH3 Manawātū Gorge and not a “new road” as required under section 46 of the LTMA.

SH3 Te Ahu a Turanga is considered a “new road” for the purposes of section 46 of the LTMA¹.

SH3 Te Ahu a Turanga provides a replacement for SH3 Manawātū Gorge, but does not follow the same alignment. While the road will be declared to be a state highway and in practice will replace the earlier road that was previously designated as the same state highway, this does not affect the status of the road as a “new road”.

NZTA Tolling Policy

During consultation, there was significant feedback in response to underlying traffic forecasts utilised to support the tolling proposal both in actual terms and in relation to NZTA Gate 1 tests.

The methodology for developing traffic forecasts utilised traffic count data prior to the Manawātū Gorge closing and growth rates observed at other traffic count sites in the region. The methodology was peer reviewed and no issues raised.

Some stakeholders undertook traffic surveys during the consultation period. However, these are not considered representative of likely traffic volumes on opening of SH3 Te Ahu a Turanga. This is because the closure of Manawātū Gorge will have suppressed trips and therefore there is a component of latent transportation demand which can be expected to be realised above the levels represented by present day traffic counts once SH3 Te Ahu a Turanga is open.

Key stakeholders suggest that, given opening day traffic volume forecasts do not exceed 10,000 vehicles, the road should not be tolled as it does not meet the threshold for NZTA's Gate 1 tests. Under the current policy, we use the volume threshold to provide an early indication of whether a potential toll scheme could be effective and efficient. It is not a binary decision, as other factors such as the complexity and cost of implementation, potential toll rates and revenues are also considered. There are no minimum vehicle flow thresholds in the legislation limiting SH3 Te Ahu a Turanga from being tolled.

We are in the process of updating our tolling policy to reflect GPS 2024.

The impact on council and ratepayers of having to maintain the feasible alternatives

Following the closure of the Manawatu gorge section of SH3 in 2017, NZTA took temporary responsibility (including financial) for management and maintenance of a number of local roads (Saddle Road, Pahiatua Track and Ballance Valley Road). This was agreed via a Memorandum of

¹ A road will be “new” where it did not previously exist, and includes a new lane on an existing road. For example, the High Court has previously decided that a road was “new” for the purpose of s 46 when it did not physically exist at the time the recommendation was made.

Understanding (MoU) with Tararua District Council which would end once a permanent replacement to the Manawatu Gorge was open to the public.

Submitters and stakeholders raised the concern that the 10,000 Tararua District ratepayers cannot afford the cost of maintaining the Saddle Road and Pahiatua Track with Tararua District Council taking the position that they will not accept the end of the temporary transfer of responsibility, if SH3 Te Ahu a Turanga is tolled.

While the costs of maintaining and operating these local roads may be higher compared to what councils experienced prior to 2017, NZTA will continue to contribute its share of the costs through its normal Funding Assistance Rates. Provision has been made in the 2024-27 NLTP for this transition of financial responsibility.

Proposed changes to the tolling proposal

Through the consultation process NZTA has continued to review and refine its tolling analysis using new data and information. In September 2024, Palmerston North City Council completed an update to its Strategic Transport Model and made it available to NZTA.

Using this new data, we have reanalysed the proposed consultation option as shown below.

Updated modelling of consultation option

Scenario	Light vehicle toll rate	Heavy vehicle toll rate	2025 Forecast Daily Traffic Flows (light/heavy)			% Diversion from Te Ahu a Turanga	40-year PV Safety Benefits (\$m)	35-year NPV Revenue (@ 6 discount rate)*
			Te Ahu a Turanga	Saddle Road	Pahiatua Track			
Consultation option	\$4.30	\$8.60	5,530/1,320	3,080/10	2,510/240	37%	16.3	\$193m
Consultation option (Updated)	\$4.30	\$8.60	4,000/1200	4,400/200	2,600/200	55%	14.9	\$122m

** risk adjusted P50 estimate*

In refining and updating our modelling we have observed:

- Levels of diversion higher than initially modelled, with 55% diversion forecast under the scheme consulted upon. This adds an additional ~50% more vehicles to the Saddle Road than initially forecast.
- Higher levels of diversion reduces modelled safety benefits for the proposed toll road from \$16.3m to \$14.9m. This is 38% less safety benefit compared to an untolled road which is higher than the 33% reduction initially modelled.
- A reduction in forecast revenue from \$193m (net present value) to \$122m.

At these levels of diversion, we do not believe that the revenue benefits of tolling at the levels consulted on outweigh the transport system impacts.

A significant amount of feedback relates to the toll level being too high and/or the impact of tolling on communities, organisations and individuals.

Other than not wanting any tolls, some respondents offer suggestions to mitigate the impact of tolling through discounts or exemptions for a wide range of different user groups. We do not believe that offering exemptions or discounts for sections of users is a fair interpretation of the user pays

principle and that a more appropriate mitigation for the large number of concerns would be to review the proposed toll rates.

We have considered four additional tolling scenarios, 3 which aim to lower the levels of diversion and also respond to community feedback in a way which retains an effective and efficient toll scheme and an updated revenue maximising option, as presented below.

Post-consultation tolling options

Scenario	Light vehicle toll rate	Heavy vehicle toll rate	Light vehicle cost per KM (\$2024)	2025 Forecast Daily Traffic Flows (light/heavy)			% Diversion from Te Ahu a Turanga	40-year PV Safety Benefits (\$m)	35-year NPV Revenue 6% discount rate 100%*
				Te Ahu a Turanga	Saddle Road	Pahiatua Track			
No toll	\$0	\$0	-	9,900/1,400	<100	1000/100	-	24.2	-
Consultation option (updated)	\$4.30	\$8.60	37c	4,000/1200	4,400/200	2,600/200	55%	14.9	\$122m
Option 1	\$3.50	\$8.60	30c	5,100/1200	3,200/200	2,600/200	45%	16.5	\$135m
Option 2	\$3.50	\$7.00	30c	5,100/1200	3,200/200	2,600/200	44%	16.6	\$119m
Option 3	\$2.80	\$5.60	24c	5,700/1400	2,700/50	2,530/150	38%	18.2	\$127m
Option 4	\$5.00	\$12.20	43c	3000/1000	5400/300	2600/170	65%	13.2	146m

* risk adjusted P50 estimate

In reaching a final tolling proposal recommendation, we have considered:

- Government priorities for transport and direction given with respect to tolling as set out in GPS 2024
- The requirements of the LTMA
- The objectives of SH3 Te Ahu a Turanga and transport system impacts of tolling
- Significant levels of public and stakeholder feedback on the consultation proposal
- Updated and refined toll modelling

Option 3 is recommended. Whilst having a significantly reduced toll rate compared to the consultation option, Option 3 performs well in terms of reduced trip diversion, retaining safety benefits of Te Ahu a Turanga, and total net revenue.

Whilst Option 1 and Option 2 reduce volumes of traffic on the Saddle Road, they remain at levels higher than anticipated in our original modelling of around 3,100 vehicles per day with safety benefits similar to those initially forecast at around \$16.3m. Option 4, which maximises revenue has significant levels of diversion (65%) and 40% more traffic on the Saddle Road than on SH3 Te Ahu a Turanga. This significantly erodes safety benefits of the project and is not recommended based on the impact of such toll levels on the transport system and objectives of SH3 Te Ahu a Turanga.

We plan to defer toll collection until the first quarter of 2026 to allow the new back office to be commissioned and tested. This means road users will experience the route with a zero dollar toll charge for several months before tolling would come into effect. This would also allow us to undertake necessary maintenance on the free alternatives prior to tolling commencing.

SH1 Ōtaki to north of Levin

After consideration of feedback received during the public consultation process no change to the tolling proposal is proposed.

NZTA proposes to declare the full extents of Ōtaki to north of Levin as a toll road but the gantry location effectively results in tolls only being incurred on the southern 15km of Ōtaki to north of Levin section. A bi-directional gantry would be placed between the on/off ramps at Taylors Road and the Tararua Road interchange.

The proposed toll prices are unchanged from those consulted on being a flat rate of \$2.70 for light vehicles and \$5.40 for heavy vehicles (toll rates in \$, 2024).

SH2 Takitimu North Link

We propose to exempt travellers who use both the proposed SH2 Takitimu North Link toll road and existing SH29 Takitimu Drive in the same journey from paying tolls for SH29 Takitimu Drive. This is different to the consultation proposal. Adopting this exemption:

- responds to submitters concerns about the number of toll points in the Bay of Plenty and in this location specifically
- is cost neutral across both toll schemes with SH2 Takitimu North Link expected to attract higher levels of demand offsetting the SH29 Takitimu Drive toll revenue foregone.
- Forecast revenue for SH29 Takitimu Drive is unaffected as future financial forecasts have not factored in increases through SH2 Takitimu North Link.

No change to toll points or variable toll rates is proposed.

The combination of the two toll points and use of variable toll rates mean that the amount payable will depend on where road users enter and exit SH2 Takitimu North Link as well as when they travel. The proposed toll charges (aggregated) for light vehicles travelling on SH2 Takitimu North Link during peak and off-peak are indicated in the following tables.

Table 1 – Proposed toll prices for light vehicles (peak/off-peak)

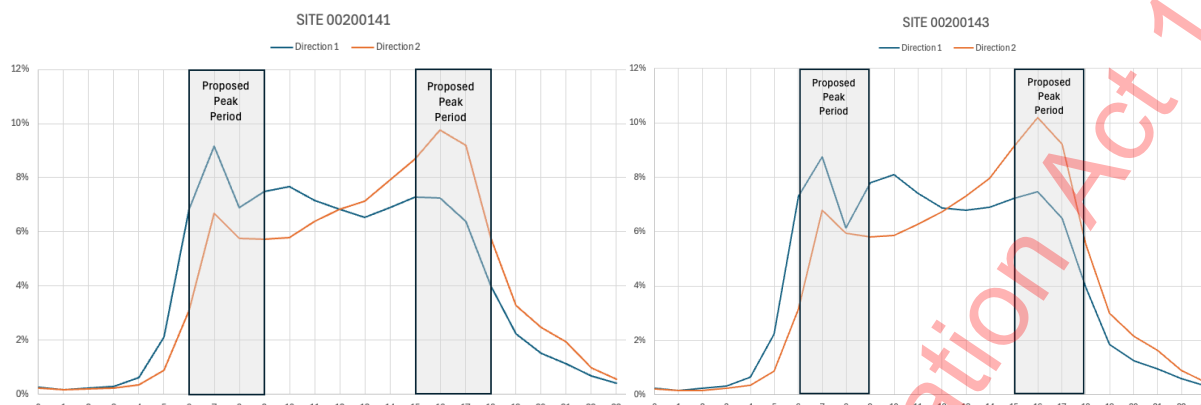
To	SH29	Minden Road	Ōmokoroa
From			
SH29	-	\$3.10 / \$2.10	\$4.10 / \$3.10
Minden Road	\$3.10 / \$2.10	-	
Ōmokoroa	\$4.10 / \$3.10	\$3.10 / \$2.10	-

We propose different time periods to those consulted on. The peak and off-peak time periods proposed are:

- Peak: Weekdays 6am – 9am and 3pm – 6pm
- Off-peak: Weekdays 9am – 3pm, 6pm – 6am and Saturdays, Sundays and Public Holidays

This differs from the consultation time periods of the peak being between the periods of 7am and 9am and 4pm and 6pm which were derived from traffic model time periods rather than observed movements.

The figure below shows observed travel flows on the existing SH2 in the vicinity of Ōmokoroa. Limiting the peak period start times to 7am and 4pm would miss a large proportion of peak period traffic limiting our ability to manage operating conditions.



SH2 Ōmokoroa observed traffic flows

This is the first proposed tolling scheme with a staged implementation which treats a road constructed in stages as a single road with tolls for Stage 1 contributing towards the capital costs of Stage 2. There is a revenue risk if, after tolling Stage 1, a decision is made not to progress Stage 2. However, tolling revenue collected could still be utilised on Stage 1 only and toll rates reviewed should this scenario occur.

Penlink Revised tolling scheme 2024

In conjunction with the recent request for proposal for tolling infrastructure and technology, by reducing tolling infrastructure the capital costs of the proposed tolling scheme are now estimated to be \$6.8m which is over a 50% reduction on the original proposal.

Under the current proposal revenue is forecast to be around \$122m (NPV in 2022 dollars @ 6% discount rate over 35-years).

Removing the gantry at SH1 is likely to enhance overall community support for the scheme. We are not recommending any change to the toll rates and the proposed tolling scheme will cover the forecast costs of maintaining and operating Penlink.

Scenario	Light Toll	Heavy Toll	Cost of toll infrastructure	Daily Traffic (mid Penlink)	Alternative route (Whangaparaoa Road)	% of diversion	Annual revenue (2028)	NPV net revenue, 35 year toll scheme at 6% discount rate (\$2022)
Previous recommendation 2 toll points	\$3/\$2*	\$6/\$4	s 9(2)(j)	18,100	9,800	35%	\$6.3m	\$141m
Revised recommendation	\$3/\$2*	\$6/\$4		18,400	9,800	35%	\$5.7m	\$122m

*peak and off-peak end to end

Revenue usage

Under the LTMA, road tolling schemes can be introduced to provide funds for one or more of the following activities, namely, the planning, design, supervision, construction, maintenance, or operation of a new road².

For the three proposals we propose to use funds for maintenance and operation of the roads and also contribute towards supervision and construction costs.

SH1 Ōtaki to North of Levin is a Major Crown Investment Programme (MCIP) project. NZTA have briefly spoken to Treasury, who noted that the expectation is that MCIP is managed within the approved funding envelope in line with Cabinet and Minister decisions. However, it didn't identify any substantive concerns with tolling being considered to reimburse the NLTF for any difference between total forecast costs and the total appropriation (across MCIP).

SH3 Te Ahu a Turanga is nearing completion and has been funded from the National Land Transport Fund (NLTF). The LTMA section 46(3)(g) provides that an Order in Council establishing a road tolling scheme may "specify, in relation to a new road, the purposes under subsection (1) for which toll revenue inflow may be used (including reimbursement of the costs related to the new road)." This allows costs that have been or are to be funded from the NLTF, to be reimbursed to the NLTF through toll revenue.

He whakaaro anō | Other key considerations

Ō tātou hononga | Partner, community, and stakeholder considerations

Ministry of Transport officials have reviewed earlier versions of the tolling proposals and provided feedback which has been considered and addressed where appropriate.

One outstanding point from the Ministry is that cost benefit analysis has not been included in the tolling proposals which compares tolled and untolled scenarios for the roads. Updated cost benefit information is not available for all four roads at the time of submitting this paper, but the Ministry notes its observation that tolling roads induces diversion onto untolled alternative routes and reduces traffic on the tolled route. This will generally lead to fewer benefits in time travel savings and wider economic benefits, and a reduction in safety costs and benefits. While the cost benefit ratios will normally be lower for the tolled scenarios where tolling does not bring forward construction of the road (as is the case for these roads under consideration), NZTA has previously advised that this calculation does not reflect the benefit of it providing a supplement for land transport revenue in an increasingly fiscally constrained environment.

The Ministry of Transport may provide separate advice to the Minister on the tolling proposals but we have endeavoured to include all information available that the Ministry considers would be helpful for the Minister's consideration.

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

Key risk	Management
Iwi partnership/relationship risk in the Te Ahu a Turanga region	<ul style="list-style-type: none">Ensure partners and key stakeholders are well informed on details of the consultation, and have an opportunity to engage with the team and ask any questions/clarifications

² LTMA, section 46(1)(a)

Key risk	Management
Local authorities ability to maintain the free alternative at an appropriate level.	<ul style="list-style-type: none"> Further discussion and negotiations to resolve ownership and responsibility for maintenance of the free alternatives
Te Ahu a Turanga - Insufficient lead times mean the tolling decision not made in time.	<ul style="list-style-type: none"> Te Ahu a Turanga is on the critical path to obtain an OiC in advance of the road opening. NZTA has been working with the Ministry of Transport to identify a delivery plan that is achievable.

Te Ahu a Turanga installation may result in inefficient implementation of roadside structures and technology	<ul style="list-style-type: none"> Proposed to have a zero toll period until Mid –2026 to allow for the roadside technology and Back-office integration to be undertaken in the new tolling back office
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Ā muri ake nei | Next steps

Should the Board agree to recommend the tolling scheme proposals for Te Ahu a Turanga, TNL and O2NL to the Minister, a covering briefing will be prepared to accompany the proposal and Public Feedback Report. This advice is planned to be provided to the Minister before the end of November 2024.

Ngā whakapiringa | Attachments

Attachment 1	National tolling map Withheld in full under s9(2)(ba)(ii)
Attachment 2	Tolling proposal summaries

Resource Centre (Diligent)

Document 1	SH3 Te Ahu a Turanga Tolling Scheme Proposal
Document 2	SH3 Te Ahu a Turanga Consultation Report
Document 3	SH2 Takitimu North Link Tolling Scheme Proposal
Document 4	SH2 Takitimu North Link Consultation Report
Document 5	SH1 Ōtaki to north of Levin Tolling Scheme Proposal
Document 6	SH1 Ōtaki to north of Levin Consultation Report