

MINISTERIAL BRIEFING NOTE

Subject	Public consultation on three proposed tolling schemes s 9(2)(f)(iv)
Date	19 August 2024
Briefing number	BRI-3099

Contact(s) for telephone discussion (if required)				
Name	Position	Direct line	Cell phone	1 st contact
Brett Gliddon	Group General Manager - Transport Services	section 9(2)(a)	section 9(2)(a)	✓

Action taken by Office of the Minister

- ☐ Noted
- ☐ Seen by Minister
- ☐ Agreed
- ☐ Feedback provided
- ☐ Forwarded to
- ☐ Needs change [please specify]
- ☐ Withdrawn
- ☐ Overtaken by events

19 August 2024

Hon Simeon Brown – Minister of Transport

Public consultation on three proposed tolling schemes s 9(2)(f)(iv)

Purpose

1. This paper seeks your agreement for the New Zealand Transport Agency Waka Kotahi (NZTA) to undertake public consultation on tolling proposals for the following new roads:

- Takitimu North Link
- Manawatū Gorge / Te Ahu a Turanga Manawatu Tararua Highway
- Ōtaki to north of Levin (Ō2NL).

2. s 9(2)(f)(iv)

Context for tolling scheme proposals and decisions

3. In June and July 2024, the NZTA Board approved proposed tolling schemes for Takitimu North Link, Manawatū Gorge / Te Ahu a Turanga Manawatu Tararua Highway and Ō2NL to progress to the Minister of Transport for permission to undertake public consultation.
4. The Land Transport Management Act 2003 (LTMA) sets out the requirements and process for implementing tolling schemes on the New Zealand roading network. The LTMA only permits tolling if:
 - the road proposed for tolling is new
 - there is a feasible, untolled alternative route available.
5. The LTMA requires that tolling revenue is only used for the purposes of funding the planning, design, supervision, construction, maintenance, or operation of the tolled road.
6. As a road controlling authority, NZTA assesses the suitability for tolling of all new roads that it is responsible for. NZTA's process includes assessments to consider 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. NZTA undertakes public consultation on the proposed tolling schemes before presenting a final proposal for your consideration.
7. As Minister of Transport, you have final decision-making rights on whether the tolling proposal should progress through the Order in Council process and be implemented. Before approving any tolling

schemes, the LTMA requires you to be satisfied that a number of criteria have been adequately met, including:

- The level of consultation undertaken
- The level of community support for the proposed tolling scheme in the relevant region or regions.

Proposed tolling scheme for Takitimu North Link

8. Takitimu North Link is being delivered in two stages: Stage 1 is a new 6.8 kilometre four-lane divided highway and is scheduled to open 2028. Stage 2 extends the expressway a further 7km to the State Highway 2 / Ōmokoroa Road Intersection. The project objectives of Takitimu North Link are to improve safety, efficiency and travel time reliability, and support sub-regional growth and development in the Western Bay of Plenty.
9. An assessment of Takitimu North Link has shown that it would meet the requirements for tolling set out in the LTMA. Construction of Stage 2 of Takitimu North Link has a cost estimate of between \$900 million and \$1.2 billion. We are forecasted to obtain revenue of around \$494m (Net Present Value (NPV) revenue, 35-year toll scheme at 6 percent discount rate, CPI adjusted).
10. Revenue from both Stages 1 and 2 will be used to contribute towards the planning, design, supervision, and construction of Stage 2. [section 9\(2\)\(h\)](#)
11. The following table of definitions will aid in reading the toll rate options considered for the three named roads:

Definitions	
NZTA status quo toll levels	Toll Rates in line with existing toll roads
Consultation option	The option put forward by NZTA to be used for public consultation
Alternative	An alternative scenario to the consultation option which tries to balance revenue with diversion.
International comparison	Benchmarking NZ Tolls with Australia, UK, USA & Canada (2020 data)
Revenue maximising	Toll rate which maximises annual Net Toll Revenue

Toll rate options considered for Takitimu North Link

Toll rate options considered for Takitimu North Link									
Scenario	Light vehicle toll rate		Heavy vehicle toll rate		Forecast Daily Traffic Flows (2031) Stage one only		% Diversion	Estimated 2031 annual net revenue (\$m)	NPV revenue, 35-year toll scheme at 6% discount rate
					Takitimu North Link @ Wairoa River Bridge	Existing SH2 @ Wairoa River Bridge			
NZTA Status Quo Toll Levels	\$2.80		\$5.60		20,500	21,200	37%	\$11.0	
Consultation option	Peak \$3.10	Off Peak \$2.10	Peak \$6.20	Off Peak \$4.20	21,000	18,100	27%	\$12.7	\$494m
Alternative	\$3.40		\$6.80		18,000	21,000	37%	\$11.7	
International Comparison	\$4.75		\$9.50		14,000	23,600	45%	\$13.4	
Revenue Maximising	\$6.20 Peak	\$4.20 Off Peak	\$8.20 Peak	\$6.20 Off Peak	11,700	25,600	51%	\$15.6	

12. Tolling levels can have a significant impact on these overarching goals through diversion back to the less efficient, less safe free route. For efficiency and safety considerations it is desirable to limit traffic volumes across the Wairoa River Bridge to below 20,000 vehicles per day.
13. Both international comparison and revenue maximising toll rates are not recommended because of the significant diversion effects (45 percent and 51 percent respectively) and consequential increase in local road traffic volumes significantly beyond the desired threshold.
14. Alternative tolling scenarios which sit somewhere between the international comparison toll rates and our current status quo are feasible. However, based on our tests at \$3.40 for light vehicles, this is likely to have a greater effect on diversion relative to any overall revenue gains as presented in the table above.
15. Because there are clear commuter peaks along Takitimu North Link, the optimal time-varying toll strategy can achieve good diversion outcomes, with higher levels of traffic retained on the toll road raising proportionally more revenue than other higher flat-rate toll options.

Proposed tolling scheme for Manawatu Gorge/Te Ahu a Turanga Manawatu Tararua Highway

16. Construction on Manawātū Gorge / Te Ahu a Turanga Manawatu Tararua Highway commenced in early 2020. It is a new a four-lane divided highway 11.5km, 100km/h built over the Ruahine Range, to provide a safe, resilient, and efficient route between Woodville and Ashhurst and is due to be completed in May 2025.
17. An assessment of Manawātū Gorge / Te Ahu a Turanga Manawatu Tararua Highway has shown that it would meet the requirements for tolling set out in the LTMA. Construction costs for the project (funded from the National Land Transport Fund) are forecast to be \$690 million.
18. We are forecast to obtain revenue of around \$193 million [NPV revenue, 35-year toll scheme at a 6 percent discount rate (2024 dollars)].

Toll rate options considered for Manawātū Gorge / Te Ahu a Turanga Manawatu Tararua Highway

Scenario	Light vehicle toll rate	Heavy vehicle toll rate	2025 Forecast Daily Traffic Flows		% Diversion from Manawatu Gorge/Te Ahu a Turanga Manawatu Tararua Highway	2025 annual net revenue (\$m)	NPV revenue, 35-year toll scheme at 6% discount rate (\$2024)
			Te Ahu a Turanga	Saddle Road			
NZTA Status Quo Toll Levels	\$2.80	\$5.60	8,577	2,040	21%	\$6.9m	\$136m
Consultation option	\$4.30	\$8.60	6,856	3,088	37%	\$9.0m	\$193m
International Comparison ¹	\$4.75	\$9.50	6,077	3,862	44%	\$8.9m	\$223m

19. A consultation option has been identified with fixed all day toll rates and consists of a light vehicle charge of \$4.30 and heavy vehicle charge of \$8.60.
20. The Order in Council would need to be in place for the road opening (May 2025) which is five months prior to the tolling back office going live (October 2025). It would be inefficient to invest in developing and implementing this toll road into both the new and old back-office systems. Therefore, we plan to defer toll collection to first quarter 2026 to allow the new back office to be commissioned and tested. This means road users will experience the route with a \$0 toll charge for a number of months before tolling would

¹ https://australasiantransportresearchforum.org.au/wp-content/uploads/2022/05/ATRF2021_Resubmission_122-1.pdf.

come into effect. This is allowed for in the legislation and we would confirm the tolling start date as part of drafting the Order in Council.

21. The consultation tolling scheme has been identified by comparing a range of toll options to find the tolling scheme which maximises usage of the road with revenue. The rationale for the consultation toll scheme is that it balances revenue with the level of forecast diversion on Saddle Road and through the township of Ashhurst. The toll rate reduces through traffic to approximately half that experienced with the Gorge closed which is still substantially greater than compared to an untolled route.

22. **section 9(2)(g)(i)**

Proposed tolling scheme for Ōtaki to North of Levin (Ō2NL)

23. Ō2NL is a new 24km four lane divided highway which is being built to create a safer and more reliable State Highway 1 (SH1) from the northern of the current expressway, just north of Ōtaki, to north of Levin. Construction on Ō2NL will commence mid-2025 and be completed 2029.
24. An assessment of Ō2NL has shown that it would meet the requirements for tolling set out in the LTMA. We are forecast to obtain revenue of around \$127 million.

Toll rate options considered for Ōtaki to north of Levin (2022\$)

Scenario	Light vehicle toll rate		Heavy vehicle toll rate		Ō2NL South of Levin (2039)	Daily traffic flow Existing SH1 south of Levin (2039)	% Diversion from Ō2NL	2030 annual net revenue (\$m)	NPV net revenue, 35-years toll scheme at 6% discount rate
Alternative NZTA Status Quo Toll Levels (Two Toll Points)	Both toll points \$2.50	Single Toll point \$1.25	Both toll points \$5.00	Single Toll point \$2.50	17,800	11,500	27%	\$7.5m	\$109m
Consultation option (one-toll point simpler scheme)	\$2.50		\$5.00		13,800	15,300	43%	\$7.0m	\$127m
International Comparison (One Gantry)	\$5.00		\$10.00		7,000	21,500	71%	\$8.3m	\$178m

25. A consultation tolling scheme has been identified with fixed all day toll rates and consists of a light vehicle charge of \$2.50 and a heavy vehicle charge of \$5.00.
26. The consultation tolling scheme has been identified by comparing a range of toll options to find the toll scheme which maximises usage of the road with revenue. The rationale for the consultation option is that it balances revenue with the level of diversion back to the less safe old state highway (existing SH1), particularly on the southern section.

27. Under the international comparison toll rate, the levels of diversion are forecast to be significant, at 71 percent, with traffic volumes on the old state highway three times those of the new road.
28. Toll modelling informs us that Ō2NL users would have a particularly low willingness to pay, as a high proportion of users would be making local trips (in and around Levin) and there are multiple alternative free routes to choose from. Therefore, there are very high levels of diversion at even quite small toll rates. By comparison, an untolled road has annual crash costs of around \$7.5 million per annum. For this reason, higher toll rates are not recommended for this scheme.

Planned consultation process for all three proposed tolling schemes

29. We have started planning the consultation process and preparing the supporting consultation material in advance of the consultation tolling schemes being confirmed. A comprehensive communications plan is being developed and we will work with your office regarding any announcements.
30. Public consultation for all three proposed tolling schemes would be undertaken for four weeks (from 9 September to 4 October 2024). We intend to utilise online surveys, provide information on our website, social media and mainstream media channels. Regional messaging will be developed to support each project, based on this nationally consistent messaging.
31. If all of the proposed tolling schemes in this briefing (including the consultation toll rates) are implemented, there is a public perception risk around the absence of a cohesive approach to tolling across the transport network. Consideration will need to be given to communicating why tolls vary so much in different locations. Messaging around the different levels of benefits received by users of these particular roads (e.g. different amounts of time savings) may help to mitigate this risk to some extent, but it will likely be difficult to manage.

Next steps for the tolling proposals

32. In consultation with the Ministry of Transport, we are proposing to bundle all three tolling proposals into a single Cabinet paper process.
33. The key milestones and critical path for all 3 tolling proposals are as follows:

22 August 2024	Ministerial agreement to proceed to consultation
September 2024	Public consultation commences 9 September to 4 October
November 2024	Briefing to you with tolling proposal (including summary of submissions)
December 2024	Briefing to you to confirm support for tolling proposal and draft cabinet paper
January 2025	Departmental and Ministerial consultation on Cabinet paper
Early February 2025	Cabinet approval of policy decisions
Mid-late March 2025	Departmental consultation on LEG paper and Orders in Council
Mid-April 2025	Cabinet approval of Orders in Council
Mid-May 2025	Orders in Council come into force
Late May 2025	Manawatū Gorge / Te Ahu a Turanga Manawatu Tararua Highway opens

s 9(2)(f)(iv)



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Ministry of Transport comment

New tolling proposals

56. The Ministry of Transport supports moving to consultation and will provide advice on whether each respective proposal meets the legislative criteria in the LTMA when the tolling proposals have completed consultation and are finalised.
57. If you want broad discretion about the final toll rate the proposed approach of consulting on a single toll rate (rather than a range of possible rates) may constrain future decision-making, given that section 48 of the LTMA requires you to be satisfied that adequate consultation on the scheme has been undertaken, and that it has community support for the proposed tolling scheme in the relevant region. A final toll rate that is significantly higher than the rate consulted on could be seen as inconsistent with these criteria.
58. When you are required to make a final decision on the tolling schemes, more detailed information on the following would be beneficial:
 - how NZTA balanced competing factors such as revenue and traffic volumes when determining the consultation tolling rates
 - advice about the impact of different tolling price points on overall project benefits

- project benefit-cost ratios and traffic volumes associated with the road.

Potential increases to toll rates for existing roads

59. Tolling revenue currently contributes towards paying back the debt and related interest costs that were raised to bring construction of the roads forward (as well as the costs to operate the tolling schemes), with the expectation that these roads will become free to use once the debt has been repaid. The debt only made up a proportion of overall construction costs. Raising toll rates would therefore not free up additional headroom in the NLTF without a change in policy intent, although it would make the toll roads free to use sooner.

It is recommended that you:

1. **Note** the contents of this briefing
2. **Agree** by 22 August 2024 to NZTA undertaking public consultation on the proposed tolling schemes for:
 - i. Takitimu North Link **Yes / No**
 - ii. Manawatū Gorge / Te Ahu a Turanga Manawatu Tararua Highway **Yes / No**
 - iii. Ōtaki to north of Levin **Yes / No**
3. **Agree** for NZTA to consult with the public using the toll rates identified as consultation options **Yes / No**
4. s 9(2)(f)(iv)



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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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