WAKA KOTAHI
NZ TRANSPORT AGENCY

MINISTERIAL BRIEFING NOTE

Subject	Consumer Price Index increase in toll road charges
Date	4 April 2023
Briefing number	BRI-2744

Contact(s) for telephone discussion (if required)				
Name	**Position**	**Direct line**	**Cell phone**	**1st contact**
Howard Cattermole	Chief Financial Officer		s 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- ☐ **Withdrawn**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**

Proactively Released

4 April 2023

Hon Michael Wood – Minister of Transport

CONSUMER PRICE INDEX INCREASE IN TOLL ROAD CHARGES

Purpose

1. This briefing informs you, on a no surprises basis, that the cost of tolls on the three NZ toll roads are to increase from July 2023.

2. The increases are as follows

$	Cars/Motorcycles		Trucks	
	From	To	From	To
Northern Gateway (north of Auckland)	2.40	2.60	4.80	5.20
Tauranga Eastern Link (Bay of Plenty)	2.10	2.30	5.20	5.60
Takitimu Drive, Tauranga (Bay of Plenty)	1.90	2.10	5.00	5.40

Background

3. Toll revenue is used to repay debt/notional debt and related interest associated with each road, as well as meeting the administrative costs of toll collection and operation including sensors and back-office systems.

4. Increases in tolls are necessary to ensure the repayment of debt in a timely manner.

5. The Orders in Council for each of the toll roads has similar wording – in essence that Waka Kotahi may from time to time increase tolls provided increases do not exceed Consumer Price Index (CPI) increases and are rounded to the nearest 10c.

6. The increases are in line with expectations around the long-term CPI, rather than the actual CPI rate. This has resulted in increases of 2% per annum rather than 4% per annum. The current CPI 'spike' has been 'looked through' to reduce the impact to the users.

7. Waka Kotahi has by convention reviewed and increased the level of tolls approximately every three years. The last increase was in 2019. The increases are rounded to the nearest ten cents. These increases were endorsed by the Waka Kotahi Board in March 2023.

8. CPI toll increases were assumed in the business cases for all toll roads. The loans at current interest rates are expected to be repaid ahead of the original business case. However, two of the three loans are very sensitive to interest rates. An increase in the loan rates (primarily on Northern Gateway) would change the repayment date materially, meaning users would be tolled

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for a longer period of time. In effect, it is like paying down a home mortgage early seeking to pay off tolling debt.

9. The increases are in accordance with the existing orders in council.

10. All toll roads have an alternative 'toll-free' route.

11. Media releases of the increases will occur around May 2023, to give at least the required one month's notice ahead of the price increases taking effect.

It is recommended that you:

1. **Note** the contents of this briefing.

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Howard Cattermole

Chief Financial Officer, Waka Kotahi

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Hon Michael Wood, Minister of Transport

Date: 2021

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