MIN-3871 NZUP Penlink – Additional follow up questions to BRI-2454 Penlink Tolling Scheme

6 May 2022

This paper provides a response to questions raised by Minister Wood regarding BRI-2454 Penlink Tolling Scheme Proposal.

Demand management benefits

The purpose of the proposed tolling scheme is to provide funds for the operation and maintenance of Penlink, in accordance with Subpart 2 of the Land Transport Management Act 2003 (LTMA). However, traffic demand management benefits can be considered, but not be the sole driver, in the Minister's decision on whether to recommend an Order in Council be made.

The reasons for this view are:

- Section 46 of the LTMA limits how funds obtained from a tolling scheme may be applied, as well as the amount of funds able to be recovered from a tolling scheme. As section 46 requires that funds are to be applied for specified purposes, tolling should not exceed the cost of those things. The proposed Penlink tolling scheme does not propose collecting more than what is required to cover maintenance and operations.

- While Section 46 does not expressly contemplate that tolling may be used for demand management, this does not prevent the Minister from taking traffic demand management into account in the decision. The Minister is required to exercise their power to recommend a tolling scheme consistent with the purpose of the LTMA; that is, to contribute to an "effective, efficient, and safe land transport system in the public interest". The traffic demand implications of tolling, given that they relate to efficiency of the new road and broader land transport system, safety and greenhouse gas emissions, are relevant to that statutory purpose and accordingly can be taken into account by the Minister as relevant considerations.

Higher toll rates for heavy vehicles

The Penlink tolling scheme will generate funding for the purposes of operating and maintaining the road. These costs will be more expensive for Penlink over its life compared to most roads on our transport network given the very difficult geological terrain and the Weiti bridge crossing.

Heavy vehicles create more damage than light vehicles, so it is appropriate for them to be charged higher toll rates. Although buses providing public transportation would also contribute to damage of the road, an exemption is proposed to align with and support government objectives of encouraging mode shift and uptake of public transport.

There are currently three existing tolling schemes operating in New Zealand and all three charge heavy vehicles at least twice the rate of light vehicles. The current toll rates for light and heavy vehicles on these tolled corridors for a one-way trip are as follows:

	Light vehicles	Heavy vehicles	Heavy vehicle difference
Northern Gateway	$2.40	$4.80	2 x
Tauranga Eastern Link	$2.10	$5.20	2.5 x
Takitimu Drive	$1.90	$5.00	2.6 x

This proposal to set heavy vehicle toll rates at twice the rate of light vehicles for Penlink is therefore in line with existing schemes. The Beca Toll Modelling Report, which informed our design of the Penlink tolling scheme, recommended that the heavy vehicle rates be set at twice the level of light vehicles to be consistent with the adjacent Northern Gateway toll road (amongst other considerations).

Penlink will perform a local/arterial road function rather than a national network function and it is not expected to be a major freight route. Our modelling estimates heavy vehicles will only make up around 4% of the overall traffic volumes.

Given the low volumes of heavy commercial vehicles, we have not specifically modelled the effect to diversion rates of different toll values on heavy vehicles. Our toll model attributes a greater value of time to heavy commercial vehicles (i.e., commercial operators could increase the value of production by achieving more within the same time). The value of time savings associated with a tolled Penlink is expected to be valued higher than the proposed toll rate, and therefore we are not expecting heavy vehicles to be discouraged from using Penlink.

Consultation concerns raised by Te Manatū Waka

Waka Kotahi has informed and engaged with Te Manatū Waka as the tolling scheme proposal has progressed, including at the start of the process to seek approval to undertake public consultation (BRI-2230 was shared with Te Manatū Waka). At various points in the process Te Manatū Waka provided us with observations and feedback, but we have no record of them recommending that information on diversion implications for the Silverdale interchange be specifically included in our public consultation material.

The Beca Toll Modelling report, which was made available on our website as part of the publications for the public consultation process, contains details on the effects on traffic volumes for untolled and tolled scenarios on key existing roads. This document was specifically identified on our FAQ page and links to our publications were provided for in key engagment material (i.e., Penlink tolling brochure).

Our records indicate that questions regarding implications for the Silverdale interchange of tolling Penlink were raised at meetings with stakeholders (Rodney Local Board, Hibiscus and Bays Local Board) and were answered. The Hibiscus and Bays Local Board included commentary on the implications for the Silverdale interchange of tolling as part of its submission. No questions or requests for information were received via emails or phone calls during the public consultation process regarding implications for the Silverdale interchange of tolling Penlink. The Silverdale interchange was not raised as a significant issue during the consultation process.

One of the project objectives is to reduce the total volume of traffic at Silverdale and take pressure off the interchange to allow for land and economic development in the area. The reduction of traffic at Silverdale will also improve the public transport system on existing roads and the Hibiscus Coast bus station. Modelling shows that the total current volume to and from the Whangaparāoa Peninsula will experience minimal change. With Penlink in place, it will reduce pressure on Silverdale interchange.

At peak times, people will decide whether to pay the toll and gain the benefits of using Penlink or continue to use the existing routes.

As indicated in our analysis in the Implementation Business Case (Table 21), under either the untolled or tolled scenarios there will be improvements in travel time through the Silverdale interchange compared to the Do Minimum option (no Penlink). There are very marginal differences between the untolled and tolled scenarios and this is shown in the table below:

Reduced average travel times from key locations to Silverdale interchange (minutes per vehicle) by 2028

	Do minimum (no Penlink)	**Untolled Penlink**	**Tolled Penlink**
Whangaparāoa - Silverdale	21.5 minutes	19.5 minutes	19.2 minutes
Silverdale - Albany	19.1 minutes	18.2 minutes	18.3 minutes

Benefit cost ratio (BCR) differences

Both the tolled and untolled options are close from a benefits perspective, with the tolled option having 4% less benefit return than the untolled option. What the BCR number does not show is that tolling Penlink provides improved operation on all main roads, including Penlink and existing roads, in the Whangaparāoa Peninsula / Hibiscus Coast area. Not tolling Penlink will improve operation on the existing route but result in more congestion on Penlink, decreasing its efficacy as a new corridor.

The main reason for the difference in the BCRs is the way in which the costs of operating the tolling scheme and the toll revenues are treated in the tolled and untolled BCR calculations.

As indicated in our tolling proposal, the BCR of 1.3 for the tolled option represents a positive return on investment.

BCRs are a useful reference point but should not be seen as determinative in a decision on whether or not to toll. Tolling Penlink will deliver a positive return as well as an alternative revenue source to fund the operating and maintenace costs, aligning with the ‘users pays’ principle.

Feedback from groups opposed to tolling

Of the 3,337 submissions received during the public consultation process on a proposed tolling scheme for Penlink, 20 percent of submitters offered full support, 17 percent offered conditional support, and 60 percent did not support the proposed tolling scheme (3 percent were unsure).

Of the 60% of submitters (2,002 submissions) that opposed the proposed tolling scheme, there were fundamental reasons for opposing tolling, with some of the key themes outlined below.

- Use other revenue sources to pay for these costs such as National Land Transport Fund or the Auckland regional fuel tax (819 submitters).
- Inequitable to charge local residents (535 submitters).

- Inconsistent use of tolling to fund roads (329 submitters).
- Tolls will discourage use of Penlink and negate benefits (281 submitters).
- The road is long overdue (249 submitters).
- Wanted three or four lanes rather than two (156 submitters).
- Concerned that the toll rates were too expensive (95 submitters).

Some organisations, such as the New Zealand Automobile Association (NZAA), indicated they would only support tolling if infrastructure would be delivered earlier than is possible with NLTF or other taxpayer funds.

The changes made to improve the tolling proposal by reducing proposed toll rates by 25% for end-to-end peak trips potentially mitigate the concern raised by 95 submitters that the toll rates were expensive.

The Auckland Business Forum opposed tolling and considered the tolling scheme with three toll points excessive and indicated a single point toll scheme would be perferable. Following consultation, the number of tolling points was reduced from three to two. While this decision makes the tolling scheme more economic, it is unclear whether the reduction in toll points and rates would have influenced this stakeholder's decision to oppose or support the proposed tolling scheme.

Most other reasons for opposing the proposed tolling scheme are not able to be accommodated through any changes in the design of the tolling scheme (e.g., the road is long overdue).

When presented with a number of options about how submitters would use Penlink, only 866 submitters (26%) indicated that they would refuse to travel on a tolled Penlink. This suggests that although 60% of submitters were opposed to the proposed toll scheme, a large proportion of submitters would still be willing to use Penlink even if it was tolled. With the reduced toll rates proposed, the use of the toll roads should be more attractive to users.