

MINISTERIAL BRIEFING NOTE

Subject	Proposed Tolling Scheme for Penlink – Seeking Agreement to Undertake Public Consultation
Date	4 November 2021
Briefing number	BRI-2330

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- Withdrawn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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4 November 2021

Hon Michael Wood, Minister of Transport

Proposed Tolling Scheme for Penlink – Seeking Agreement to Undertake Public Consultation

Purpose

1. To seek your agreement for Waka Kotahi NZ Transport Agency to undertake public consultation on a proposed tolling scheme for Penlink.

Background

2. 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; and
 - there is a feasible, untolled alternative route available.
3. 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.
4. To date, tolling in New Zealand has been linked to bringing forward the construction of new roads. The three tolling schemes currently operating in New Zealand (all of them on state highways) are designed to generate revenue to repay loans that enabled the construction of the roads to be brought forward.¹
5. As a Road Controlling Authority, Waka Kotahi assesses the suitability for tolling of all new roads that it is responsible for. As part of the assessment process, we consult with the public on the proposed tolling scheme before producing a substantive tolling proposal for your consideration.
6. 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 with a number of criteria, including that adequate consultation has been undertaken and also with the level of public support for the tolling scheme.

Proposed tolling scheme for Penlink

A proposed tolling scheme has been designed and initial assessment completed

7. When delivery responsibility for Penlink was transferred to Waka Kotahi as part of the New Zealand Upgrade Programme (NZUP), Penlink was proposed as a two-lane tolled road. The design and delivery of Penlink has therefore been progressed on this basis.

¹ Northern Gateway, Tauranga Eastern Link, Takitimu Drive in Tauranga.

8. The proposed road, although only seven kilometres long, will be built over difficult geological terrain, with a significant bridge crossing the Weiti River. It will connect to main arterial routes at each end and have a number of grade separated interchanges along its length. Consequently, the ongoing costs of maintaining the road and operating it, to optimise public transport and general traffic, are expected to be higher than the standard costs for a connector road of this type. Over the last fifteen years, all discussion and planning towards this road has assumed tolling to meet these relatively high maintenance and operation costs.
9. The proposed tolling scheme for Penlink involves a number of key elements that differ from existing tolling schemes:
- The toll revenue would cover costs of maintenance and operations, not construction – Given that costs associated with planning, design, supervision, and construction of Penlink are fully funded through NZUP, the tolling scheme is designed to generate revenue to cover the costs associated with the road's maintenance and operations. Using tolling revenue to cover these costs provides an alternative revenue stream to cover ongoing costs, rather than relying on the National Land Transport Fund (NLTF) or local rates, which are under increasing pressure. In this respect, the proposed tolling scheme differs from the current tolling schemes which were implemented to repay loans to bring forward construction of the roads.
 - Toll rates are linked to distance travelled – The proposed tolling scheme utilises multi toll points, enabling toll charges to be based on the actual distance travelled on the new road. This approach better calibrates the tolling rate for the user to the amount of benefit they receive (or cost they impose) by using distance as a proxy. None of the existing tolling schemes differentiate tolling rates according to the extent to which the new road is travelled (i.e. the rate is charged when crossing a single point).
 - Toll rates vary according to peak non-peak times – While still achieving the primary purpose of the tolling scheme covering maintenance and operations costs for Penlink, we are also proposing to differentiate toll rates depending on whether the road is being used during peak or non-peak times. Utilising tolling rates in this way enables us to better manage the network to generate wider benefits and outcomes (not only on Penlink but also the other roads it interacts with), including managing the timely operation of public transport services. The current tolling schemes do not differentiate toll rates by time of day, but they do differentiate according to the vehicle type (e.g. heavy vehicles are liable for a higher toll rate) and this will also be utilised in the proposed tolling scheme for Penlink.
10. A tolling assessment has been completed for Penlink and it performed well against all key criteria that we use to determine the suitability of tolling for new roads. Some of the key results of the assessment include:
- Forecast toll revenue is expected to fully cover the maintenance and operating costs of Penlink, as well as the costs to implement and operate the tolling scheme.
 - The proposed tolling scheme would improve traffic flow and the reliability of travel times on Penlink (especially during the commuter peaks), which would have a knock-on effect of marginally improved travel time reliability on SH1 and Whangaparāoa Road, at either end of the new road.
 - Tolling Penlink would align with the strategic priorities in the Government Policy Statement on land transport (GPS) 2021 for:
 - safety (some reduction of anticipated incidents of death and serious injury)
 - better travel options (tolling is expected to reduce congestion and improve travel times on Penlink which will also assist with reliability of public transport services – an exemption from paying the toll is proposed for public transport)

- climate change (anticipated to reduce the level of CO2 emissions by an estimated 6000 tonnes per year); and
- improving freight connections (freight using the Penlink corridor and the free alternative route will experience less congestion).

Section 9(2)(g)(i)

14. We are now seeking your agreement for us to consult with the public on the proposed tolling scheme to inform the development of a tolling proposal for your consideration.

Planned consultation process and relationship with upcoming Penlink decisions

Planned engagement and consultation

15. Subject to your agreement, Waka Kotahi is planning to undertake the following engagement and consultation process:
- Early engagement with partners and key stakeholders (mid-November 2021 to mid-December 2021) – we are planning to engage early with local government, Mana Whenua, residents, developers and environmental groups. We are planning the use of online meetings, online brochures and e-newsletters to help mitigate any impacts of COVID-19 on this engagement process.
 - Public consultation (mid-January 2022 to mid-February 2022) – we are intending to utilise online surveys, provide information on our website and also leverage social and mainstream media channels as well as online/offline engagement where possible.

Consideration of the proposed tolling scheme and the delivery of Penlink is on a critical path

16. As indicated earlier, the design and delivery of Penlink is based on the road being tolled. We need to progress public consultation on the proposed tolling scheme relatively quickly to ensure we can align your consideration of the substantive tolling proposal with the Implementation Business Case by the end of April 2022.
17. While these are two separate decisions, given the design of Penlink is based on the road being tolled, a decision to not progress with tolling would impact on the delivery timeframes for the project (e.g. an un-tolled Penlink would mean higher peak time traffic volumes that would require a re-design). A process to determine a preferred alliance partner is also progressing, with a decision expected by the end of April 2022. Once a preferred alliance partner has been identified, Waka Kotahi will seek Board and Joint Minister approval to award the contract by the end of May 2022.
18. Given the critical relationship between decisions on the proposed tolling scheme and other key aspects of the Penlink project, any delay in the engagement and consultation process (and in

turn provision of our substantive tolling proposal for your consideration) could put the timeframes for these other important decisions at risk.

Next steps

- 19. We have started planning the consultation process and preparing the supporting consultation material. A comprehensive communications plan has been developed, and subject to your agreement for us to progress to consultation, we can work with your office to agree key messages and any announcements.
- 20. Following consultation, we will develop a substantive tolling proposal for your consideration and expect to provide that to you by the end of April 2022.

It is recommended that you:

- 1. **Note** the contents of this briefing, and;
- 2. **Agree** to Waka Kotahi to undertaking public consultation on a proposed tolling scheme for Penlink. **Yes / No**



Brett Gliddon

General Manager, Transport Services



Hon Michael Wood, Minister of Transport

Date: 2021

We need to carefully work out timing of consultation. It should not commence until Auckland is out of Level 3.

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