

To Mark Ratcliffe, Chief Executive

Cc

From Charles Ronaldson, General Manager Operations

Date 28 June 2019

Subject Tolling of Transmission Gully: Background overview and Board options

Background to this paper

Section 9(2)(g)(i)

Purpose of this paper

This paper provides a background overview as to the history of the tolling of Transmission Gully

Section 9(2)(g)(i)

Tolling of Transmission Gully

Background

Discussions and assessments regarding the tolling of Transmission Gully began in 1999. During this time, several assessments and investigations were completed into the proposal (including two by external organisations).

Section 9(2)(g)(i)

Section 9(2)(g)(i)

meaning toll revenue was not required to advance the project.

In 2005, the possibility of tolling Transmission Gully was subject to Transit New Zealand/Greater Wellington Regional Council public consultation and sub-committee scrutiny as part of the proposed Western Corridor plan. The resulting Hearing Sub-committee's report released in March 2006 and signed by the Transit New Zealand Board, noted that:

- Tolling was not necessary to fund Transmission Gully, and the net revenue would be relatively small (page 3, paragraph 1.13);
- The removal of tolling infrastructure costs made the project more affordable (page 44, paragraph 4.77);
- While there was support for the concept of using tolling for travel demand management (TDM) purposes, this was not possible without legislative change to enable network or cordon tolling schemes (page 54, paragraph 4.128), and noted there were only low TDM benefits anticipated (page 54, paragraph 4.129).

- In paragraph 5.4 (page 57), the sub-committee recommended that the toll facilities be removed from the Transmission Gully design.

In 2012, the final Board of Inquiry into the Transmission Gully Project (as part of the consenting process) asked about NZTA's intention to toll, to which the Transport Agency's representative stated that 'NZTA does not currently propose to do so'. The representative went on to note that tolling may cause a transfer of drivers to choose the un-tolled alternative route, and therefore negatively impact the benefit/cost ratio (BCR) of the project (page 78, paragraph 239). Later in the document (paragraph 878), it was stated '*as confirmed by NZTA and discussed elsewhere in this decision, tolling is not proposed and is not considered material to this decision.*'

Section 9(2)(g)(i)

The current re-assessment

The current re-assessment comes from a direction to re-complete a tolling assessment for Transmission

Section 9(2)(g)(i)

Section 9(2)(g)(i)

Not long after this, the responsibility for tolling assessment delivery was formally transferred to Customer Design and Delivery (CD&D), and the current team. This team then began the scoping of the re-assessment, as requested.

The final scope and approach of the re-assessment was only agreed by the Chief Executive in August 2018

Section 9(2)(g)(i)

In addition to this assessment, it was

requested consideration be given to the possibility of using tolling for TDM purposes, as per BRI-1247. As

Section 9(2)(g)(i)

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In addition to this, the late commissioning of the

Section 9(2)(g)(i)

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Section 9(2)(g)(i)

As it was, staff were only directed to re-do the assessment, in more depth. This resulted in the

Section 9(2)(g)(i)

Section 9(2)(g)(i)

Summary

Section 9(2)(g)(i)

Timeline of recent events

1999-2012	Various assessments and investigations completed, noting that although Transmission Gully met the basic criteria for a toll road, [redacted] Section 9(2)(g)(i)
September 2012	Board endorsed the use of a PPP procurement procedure to deliver Transmission Gully and approved funding for the construction and ensuing 25 years maintenance, operation and renewal costs (meaning tolling was no longer considered an appropriate means for advancing the build).
June 2013	Land Transport Management Amendment Act (2013) streamlined the decision criteria for road tolling schemes, and changed from the need for complex concession agreements to manage public-private partnerships to existing procurement processes in the Act (refer Cabinet paper). NZTA changed its tolling policy to state that all new state highway links are assessed for tolling and that the purpose for toll revenue could be for advancing the construction of a project, AND for revenue purposes. At this time the current criteria were also endorsed by the Board.
July 2014	Availability PPP signed for TG, tolling rejected for funding the project, as supply risk deemed unacceptable to finance institutions, and predicted level of revenue less than O&M costs, plus financing charges.
December 2016	Funding included for tolling investigations by the TG project, presumably for revenue-based tolling assessment. Investigation scope included public surveys.
March 2017	Section 9(2)(g)(i)
September 2017	Procurement strategy reviewed to develop a tolling business case for TG and commission advisory services to develop business cases for four candidate toll roads. Section 9(2)(i) Procurement delayed due to sensitivities around public announcements on other capital projects Section 9(2)(i)
December 2017	Section 9(2)(g)(i)
March 2018	Minister agreed to developing a tolling proposal for TG with a strong demand management theme, this was based on a paper prepared by a sub-committee on the Board (Adrienne Young-Cooper, Nick Rogers and Fran Wilde) – BRI-1247. The lead-up to this briefing is unclear.
May 2018	Pont process identified CD&D as owner of tolling assessment process.
June 2018	Project established to investigate the merits of tolling TG for demand management purposes. Section 9(2)(g)(i)
July 2018	Section 9(2)(g)(i)
August 2018	Section 9(2)(g)(i)
August 2018	Section 9(2)(g)(i)
November 2018	Section 9(2)(h)
December 2018	Paper was removed from Board agenda, delaying decision further.
January 2019	Investigation continues with the development of a transport demand model with updated assumptions to identify toll revenues and network effects, to be prepared should NZTA Board instruct NZTA to proceed with toll Scheme development, and public consultation on tolling.
February 2019	Recommendation paper to Board scheduled for presenting at 1 st 2019 meeting, removed from agenda.
March 2019	Section 9(2)(g)(i)
May 2019	Section 9(2)(g)(i)
June 2019	Section 9(2)(g)(i)

Briefing (BRI-1247)



Received
21 FEB 2018
Office of Hon Phil Twyford

MINISTERIAL BRIEFING NOTE

Subject Update on investigations into tolling of Transmission Gully
Date 21 February 2018
Briefing number BRI-1247

Contact(s) for telephone discussion (if required)

Name	Position	Direct line	Cell phone	1 st contact
Fergus Gammie	Chief Executive	Section 9(2)(a)		✓
Tommy Parker	General Manager System Design & Delivery			
Charles Ronaldson	General Manager Customer Design and Delivery			
Henry Pretorius	Manager Business Intelligence Direction			

Action taken by Office of the Minister

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

Released under the Official Information Act 1982

21 February 2018

Minister of Transport

UPDATE ON INVESTIGATIONS INTO TOLLING OF TRANSMISSION GULLY

1. The purpose of this briefing is to provide you with an update on investigations into tolling of the Transmission Gully project ahead of the New Zealand Transport Agency (NZTA) engaging the public on its toll proposal.
2. The Transmission Gully project meets a number of criteria that make it suitable for tolling under provisions within the Land Transport Management Act 2003. The legislation requires a decision before completion of the project, which is being constructed under a Public Private Partnership (PPP) agreement with an anticipated opening of mid-2020. To enable tolling, the NZTA next needs to develop a tolling proposal and then assess the public's support thereof.
3. Enabling tolling of Transmission Gully would permit the NZTA to implement a range of options to help better manage demand throughout this corridor. Tolls help achieve a more neutral long-term solution and could even be a step towards introducing a more modern road pricing system in the medium term. Section 9(2)(g)(i)
Section 9(2)(g)(i) These options would not otherwise be possible under existing legislation.

Why investigate tolling of state highway links?

4. Tolling is an important part of the NZTA's intervention toolkit because it provides an extra source of raising land transport revenue. It also helps shape demand of the transport system and can play a valuable early role as New Zealand transitions to a more customer centric responsive pricing system in the longer term. Tolling gets people used to paying as they travel and paying extra for certain benefits. To date, the NZTA has established three toll roads, as described in Appendix 1.
5. In line with the NZTA's tolling policy, all new state highway projects are assessed, during development of the business case, against a set of toll criteria to determine their suitability for tolling. If the initial assessment identifies a project as suitable for tolling, a more comprehensive tolling proposal is developed that details the tolling scheme and the degree of community support for it.

Update on Transmission Gully

Overview

6. Transmission Gully was assessed as potentially suitable for tolling. It is one of the roads of national significance (RoNS) enabling economic development and regional connectivity as well as providing inherent additional resilience for Wellington. Its funding for implementation has been approved via the National Land Transport Fund (NLTF).
7. To construct the Transmission Gully project, an \$852 million PPP was awarded in July 2014, with a programmed opening in mid-2020. Under the terms of the PPP agreement, the NLTF will

incur ongoing availability payments for 25 years after opening. If tolled, the terms of the PPP would remain unaffected by changes in use and the NZTA would be entitled to all the toll revenue. Section 9(2)(g)(i) and 9(2)(f)(iv)

8. A decision is now needed on whether to proceed with further investigations for Transmission Gully, which will focus on developing a detailed tolling proposal and better understanding public support.

Tolling helps realise a more mode-neutral solution

9. When opened, Transmission Gully is expected to reduce the costs of travel by road within this corridor. Over time, this may result in some increase in the demand for road travel, which may affect the wider network. Initial investigations of travel movements in the corridor indicate that the untolled Transmission Gully route will result in increases in both the total volume of travel in the corridor and also the proportion of this travel that is undertaken by road. There will be a small reduction in the number of trips made by public transport, primarily rail. It is important to note that this occurs because of the improved accessibility provided by the Transmission Gully project, which will allow people to travel to the destinations they wish at the times and using the mode of transport that are the most convenient to them.
10. Tolling of Transmission Gully would attempt to maximise the benefits through the entire corridor. Tolls could counter the perceived cost reductions of traveling by road and help realise a more mode-neutral long-term solution. Section 9(2)(g)(i)

Section 9(2)(g)(i)

Tolling provides a step towards a more modern road pricing system

Section 9(2)(g)(i)

12. While tolling is only a step towards a more modern road pricing system and holds some limitations, it is possible to implement smart pricing using it. Similar to road pricing, tolls can help people get used to paying as and when they travel, as well as paying extra for certain benefits.
13. Smart pricing may include a combination of fixed and variable tolls at different times of day and for different classes of vehicles. For example, tolls could initially be set to zero and then be applied in peak times once congestion levels rise.
14. The NZTA's tolling proposal for Transmission Gully would confirm the details of such a scheme.

Interest from key stakeholders and the media

15. Up to now, local councils have been kept informed given that the former state highways (1 and 58) will potentially be revoked to them and the effect of tolling would need to be understood and considered as part of the negotiations. There have also been recent media enquiries into whether Transmission Gully will be tolled, and continued investigations are likely to attract further interest.

It is recommended that you:

1. **Note** that the \$852 million Transmission Gully project has been identified as a candidate for tolling.
2. **Note** that construction of Transmission Gully is being undertaken as a Public-Private-Partnership, with a programmed opening in mid-2020.
3. **Note** that enabling the tolling of the Transmission Gully project provides an opportunity to maximise the benefits through the entire corridor by creating a demand management tool and giving effect to more mode-neutral transport options.
4. **Note** that to enable the tolling of the Transmission Gully project the NZTA needs to develop a detailed tolling proposal and confirm public support, which are likely to attract the interest of key stakeholders and the media.
5. **Agree** that the NZTA progress the development of a tolling proposal for the Transmission Gully project, which will identify how tolling can be used to help shape demand to enable a more mode neutral corridor.

Yes / No

Yes / No

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Fergus Gammie
Chief Executive

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Hon Phil Twyford, Minister of Transport





Date: 3.3 2018

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Appendix 1 – Current state highway toll roads

Tolling is governed by specific legislation and other agreements, with the Land Transport Management Act being the key enabling legislation. Through this the Governor-General may, by Order in Council made on the recommendation of the Minister, establish a road tolling scheme. Importantly, only new roads can be tolled, and the funds raised may only be applied for the purposes of planning, design, supervision, construction, maintenance and/or operation of the new road. The legislation also requires that the NZTA demonstrates a degree of community support for the proposed tolling scheme and that a feasible, untolled, alternative route is available.

Under this legislation three state highway toll roads have been established:

	<p>The Northern Gateway toll road is a 7.5km motorway north of Auckland between Silverdale and Pūhoi, part of State Highway 1. Heading north, the toll road begins just before Ōrewa and ends after the Johnstone Hills near Pūhoi.</p>
	<p>Annual toll revenue (incl. GST) is about \$16.4m</p>
	<p>The Tauranga Eastern Link toll road is a 15km tolled section of State Highway 2 running between the Domain Road interchange, near Pāpāmoa, and the Paengaroa roundabout (State Highway 2 and State Highway 33 to Whakatāne and Rotorua).</p>
	<p>Annual toll revenue (incl. GST) is about \$7.0m</p>
	<p>The Takitimu Drive toll road, formerly known as Route K Toll Road, is a 5km road that bypasses the Tauranga city centre and takes traffic from State Highway 29 to State Highway 2 in the direction of the Port of Tauranga and Mt Maunganui.</p>
	<p>Annual toll revenue (incl. GST) is about \$6.7m</p>

A Land Transport Management Order has been established for each of these toll roads. These contain specific conditions in addition to those of the Land Transport Management Act, which include:

- the maximum tolls that can be charged and how they can be varied;
- any exemptions from paying tolls;

- requirements on how tolls are to be collected; and
- any specific reporting requirements that the NZTA must comply with (both prior to opening of the toll road and ongoing).

There are also a range of other agreements, documents and policies that specify the NZTA's commitments to tolling. Those include the toll proposals (submitted to the Minister in advance of requesting an Order in Council) and relevant debt agreements for each of the existing toll roads.

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