



30 May 2024

OC240576

Hon Simeon Brown
Minister of Transport

Action required by:
No action required

FURTHER INFORMATION ON TOLLING REFORM PROGRAMME AND AUSTRALIAN ROAD TOLLING SCHEMES

Purpose

To respond to your request for more information on the tolling reform programme and Australian road tolling schemes.

Recommendations

We recommend you:

- 1 note the content of this briefing

Matt Skinner
Manager, Revenue
30/05/2024

Hon Simeon Brown
Minister of Transport
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Minister's office to complete:

- Approved
 Declined
 Seen by Minister
 Not seen by Minister
 Overtaken by events

Comments

Contacts

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FURTHER INFORMATION ON TOLLING REFORM PROGRAMME AND AUSTRALIAN ROAD TOLLING SCHEMES

Background

- 1 On 2 May 2024, we provided you with a briefing that outlined opportunities for reforming the legislative and operational settings for road tolling (OC240422 refers) and sought your agreement to the initial scope of the tolling reform workstream.
 - 1.1 On 23 May 2024, the briefing was returned with several follow-up questions/comments about:
 - 1.2 the timeframe of the reform programme,
 - 1.3 whether it is possible to do distance-based tolls under current legislation,
 - 1.4 the importance of including the cost-effectiveness of tolling infrastructure into the programme, and
 - 1.5 further details on the Australian tolling schemes discussed in the previous briefing (including traffic volumes, tolling revenue, and costs per kilometre).

Timeframe of reform programme

- 2 In the original briefing, we outlined a possible timeline of 6-9 months for a review of the operational and legislative settings for tolling.
- 3 Following our discussions with you in the formulation of the draft transport revenue action plan Cabinet paper (OC240514 refers), we intend to accelerate this timeframe. Under our current proposed timeframe for the wider revenue package, we expect to provide draft Cabinet papers and briefings to you in October 2024 for Cabinet decisions in November 2024. We will further discuss the revenue work programme with you, including the plan for policy work between now and October, in the coming weeks.
- 4 The tolling reform work programme is likely to propose amending tolling legislation based on our review, which could include revisiting existing requirements for toll roads to have an untolled, alternative route and to be a new road. Our advice will also outline updates on the review of tolling operations to identify cost-efficiency.

Distance-based tolls

- 5 While distance-based tolls are not explicitly mentioned in legislation, Section 46(3) of the LTMA notes that tolling orders can contain certain conditions without limitation¹.

¹ Section 46(3): An order made under subsection (1) may (without limitation)—
(a) set tolls, or empower the public road controlling authority or toll operator to set tolls within the maximum limit, or according to the method, set out in the order;
(b) provide for different levels of tolls to be levied in respect of different classes of person or motor vehicles, different times or days, different directions of travel, or different methods of payment, or to be levied on any other differential basis

- 6 As part of development of the Penlink tolling proposal, we and NZTA considered that the existing legislation permits charging, in effect, distance-based tolls.
- 7 The tolling proposal for Penlink after consultation utilised two toll points, with drivers to be charged a toll each time they pass through a toll point. The toll rates vary based on the toll point crossed and whether they are travelling during peak or off-peak times. The combined toll charge for travel on Penlink under the scheme design is outlined in annex one. Note that the scheme is currently being reevaluated and you will receive further advice on it later this year.
- 8 The variability of a toll rate under a distance-based toll is limited by the number of tolling points, as we currently have no other basis for measuring distance travelled for the purposes of tolling. In terms of practicality and cost-effectiveness, in the absence of a GPS based system or reduced costs of tolling infrastructure, distance-based tolls may require more tolling infrastructure which may or may not be cost-effective depending on the volume of traffic on any particular entry or exit to the road.

Including improvements to the cost-effectiveness of tolling infrastructure to the tolling reform workstream

- 9 The progress on the improvements in the cost-effectiveness of tolling infrastructure will be included as part of the workstream. As noted in NZTA's recent briefing on Penlink (MIN-4491 refers), NZTA has gone to market to "accurately assess the differences and determine feasibility of using different roadside equipment for road pricing." NZTA expects the Request for Proposal (RFP) process to take three months for accurate cost estimations for tolling infrastructure for Penlink. This should also help to inform the options for cost-effective tolling infrastructure going forward.

Further information on Australian toll roads

- 10 Toll roads in Australia are almost uniformly high traffic volume motorways, bridges, or tunnels in urban areas. Toll prices per kilometre vary greatly based on the type of project. For example, tunnels and bridges tend to be tolled at higher rates on a per-kilometre basis, reflecting their higher construction costs.
- 11 Annex two outlines the information requested for the Australian toll roads discussed in the previous briefing (OC240422 refers), with the addition of more Australian toll roads with varying traffic volumes, as well as New Zealand's toll roads for comparison. It is difficult to make a direct comparison with Australian toll roads due to differences in measurement methods, so the comparison should be seen as indicative only at this stage.
- 12 All the Australian roads are operated by Transurban, except for EastLink in Victoria. Tolling administration/tolling infrastructure costs could not be found in financial reporting documents. We will engage further with Australian officials in the coming months and provide further information if it is available.

ANNEX ONE: PROPOSAL FOR PENLINK'S TOLLS FOR LIGHT VEHICLES

Light vehicles Peak		To					
		SH1	East Coast Road	FUZ	Wēiti Precinct	Stillwater	Whangaparāoa Road
From	SH1	-	\$1.00	\$1.00	\$1.00	\$1.00	\$3.00
	East Coast Road	\$1.00	-	-	-	-	\$2.00
	FUZ	\$1.00	-	-	-	-	\$2.00
	Wēiti Precinct	\$1.00	-	-	-	-	\$2.00
	Stillwater	\$1.00	-	-	-	-	\$2.00
	Whangaparāoa Road	\$3.00	\$2.00	\$2.00	\$2.00	\$2.00	-

Light vehicles Off-peak		To					
		SH1	East Coast Road	FUZ	Wēiti Precinct	Stillwater	Whangaparāoa Road
From	SH1	-	\$1.00	\$1.00	\$1.00	\$1.00	\$2.00
	East Coast Road	\$1.00	-	-	-	-	\$1.00
	FUZ	\$1.00	-	-	-	-	\$1.00
	Wēiti Precinct	\$1.00	-	-	-	-	\$1.00
	Stillwater	\$1.00	-	-	-	-	\$1.00
	Whangaparāoa Road	\$2.00	\$1.00	\$1.00	\$1.00	\$1.00	-

ANNEX TWO: FURTHER INFORMATION ON AUSTRALIAN TOLL ROADS

Toll Road	Length (km)	Traffic Volume	Cost of Construction (AUD)	Gross Tolling Revenue (FY 23) (\$m AUD)	Toll Price per Kilometre (\$AUD) Class A Vehicles/Light vehicles	Fixed or Variable Toll (On distance or exit, rather than vehicle type)	Comment
Australia							
Hills M2 (NSW)	21	133,000 average daily trips (March 24 FY24 year to date average daily trips)	\$644 million (Estimated Capital Cost at the time of contract award in 1994)	367 (FY23 Results)	0.46** (\$9.66 total toll)	Variable	Multiple upgrades have been made to this motorway since its contract award in 1994.
M5 South-West Motorway (NSW)	22	170,000 average daily trips (March 24 FY24 year to date average daily trips)	Original project: \$315 million (1991) Western Extension: \$65 million (1993) Moorebank Avenue Interchange: \$32 million (2002) Widening: \$400 million (2012)	334 (FY23 Results)	0.26 (\$5.64 total toll)	Fixed	

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Lane Cove Tunnel (NSW)	3.6	79,000 average daily trips (March 24 FY24 year to date average daily trips)	\$1.1 billion (Estimated Capital cost at the time of the contract award in 2003)	104 (FY23 Results)	1.11**(\$4 total toll)	Variable	
NorthConnex (NSW)	9	43,000 average daily trips (March 24 FY24 year to date average daily trips)	\$2.9 billion (2015)	81 (FY23 Results)	1.07 (\$9.66 total toll)	Fixed	
M1 Eastern Distributor (NSW)	6	54,000 average daily trips (March 24 FY24 year to date average daily trips)	\$680 million (Estimated financing, development, design, construction, fitout, and commissioning cost at the time of the contract award in 1997)	127(FY23 Results)	1.56 (\$9.51 total toll)	Fixed	
Cross City Tunnel (NSW)	2.1	39,000 average daily trips (March 24 FY24 year to date average daily trips)	Contract value: \$680 million (Estimated Capital Cost at the time of the contract award in 2002)	77 (FY23 Results)	3.28**(\$6.89 total toll)	Variable	
Go Between Bridge (QLD)	0.3	10,000 average daily trips (March 24 FY24 year to date average daily trips)	\$328 million (2010)	8 (FY23 Results)	6.37 (\$1.91 total toll)	Fixed	
City Link (Victoria)	22	821,000 average transactions per day (March 24 FY24 year to date average daily transactions)*	\$2.1 billion (2006)	894 (FY23 Results)	0.52**(\$11.51 trip cap)	Variable	City Link is technically two toll roads connected by

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							an untolled freeway.
EastLink (Victoria)	40	250,000 vehicles per day (2017)	\$2.5 billion (November 2004)	Unavailable	0.18**(\$7.29 total toll)	Variable	
New Zealand							
Northern Gateway (NZ)	7.5	20,211 AADT*** (2022)	\$365 million (NZD, 2009)	16.1 (NZD)	0.35 (NZD) (\$2.60 total toll)	Fixed	
Tauranga Eastern Link (NZ)	15	11,350 AADT (2022)	\$455 million (NZD, 2015)	8.9 (NZD)	0.15 (NZD) (\$2.30 total toll)	Fixed	
Takitimu Drive (NZ)	5	13,000 AADT (2022)	Purchased by NZTA for \$65 million NZD in 2015	10.5 (NZD)	0.42 (NZD) (\$2.10 total toll)	Fixed	

*Transurban only notes Citylink's is average daily transactions per day, rather than trips per day

**Calculated using the toll rate and kilometres for the whole road/tunnel in the interest of time, as there are many toll prices depending on toll points passed. Toll price per kilometre may differ depending on the exit taken. All variable toll schemes had their toll price per kilometre measured through this method.

***Annual average daily traffic