



19 September 2024

OC241078

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 23 September 2024

FIRST DRAFT CABINET PAPER: REVENUE – OCTOBER REPORT BACK

Purpose

Seek your feedback on the first draft of a Cabinet paper relating to tolling Out of Scope

Key points

- This draft Cabinet paper proposes changes to the legislative settings for tolling Out of Scope.
- The tolling proposals aim to enable wider use of tolls, including corridor tolling and increased flexibility in price setting, while establishing some specific exemptions to the requirement for a feasible untolled alternative route with some specific exemptions.
- Out of Scope
- Given this is a first draft that will be subject to iteration, we have included more detail in here than what is likely necessary for Cabinet's consideration. We will refine the level of detail based on your initial feedback.

Recommendations

We recommend you:

1 provide feedback to officials on the draft Cabinet paper

Yes / No



Matt Skinner
Manager, Revenue

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Matt Skinner, Manager, Revenue	s 9(2)(a)	✓
Brent Johnston, Chief of Staff		

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATŪ WAKA

DRAFT CABINET PAPER: REVENUE – OCTOBER REPORT BACK

Draft Cabinet paper enclosed for your review

- 1 A draft Cabinet paper is attached for your review, seeking:
 - 1.1 policy decisions on potential changes to the legislative settings relating to tolling, to enable a Bill to be drafted by the Parliamentary Counsel Office

Out of Scope

- 2 This briefing provides further detail on these two matters and next steps. The immediate next step is for you to provide feedback to officials and agree to share the paper with your Ministerial colleagues. At the time of Ministerial consultation, we will consult other departments on the paper.

Tolling proposals

- 3 In the Revenue Action Plan Cabinet paper [CBC-24-MIN-0063 refers], you agreed to report back to Cabinet in October seeking policy decisions on the changes to the legislative settings relating to tolling. The attached draft Cabinet paper satisfies the report back requirement.

The alternative route requirement

- 4 The paper seeks to make several changes that were outlined in our recent advice to you regarding tolling reform (OC24094 refers). The paper's one major departure from that advice is in respect of the requirement for tolling schemes to have a feasible alternative route, following a discussion with officials on Tuesday 17 September. Reflecting that discussion, the paper proposes to maintain the requirement in general but to allow exemptions in three cases:

- 4.1 When the Minister is satisfied with the level of community support for the proposal to toll the road despite the absence of a feasible alternative untolled route.

- 4.2 For the purposes of requiring heavy vehicles to use certain toll roads and consequently restricting their use of alternative routes.

- 4.3 When the Minister is satisfied that only a small number of users would be required to use the toll roads.

- 5 There are two key risks with this approach. The first risk is that the first and third exemptions contain considerable discretion for the Minister which may detract from public perception that roads will only be tolled when there is a feasible untolled alternative. We considered prescribing specific thresholds in primary legislation to mitigate this risk but do not recommend doing so given the complexity it would cause. In the case of the first exemption (community support), setting a specific threshold

would also be inconsistent with the approach the Act currently takes to requiring the Minister be satisfied with community support for the overall proposal.

- 6 The second risk is that maintaining the untolled route requirement in general may foreclose the use of tolling in unanticipated scenarios where there is a strong public policy rationale to toll a road despite the absence of an untolled alternative route. However, given the relative maturity of New Zealand's road network, we consider there are likely to be very few scenarios where this risk eventuates.

s 9(2)(i)

Other matters

- 9 As requested, the Cabinet paper also clarifies other features of tolling schemes. We have clarified these factors below:

s 9(2)(i)

- 9.2 The framework for creating tolling orders already allows for scheme caps where they are set out in a specific tolling Order, and this possibility is noted in paragraph 64 of the paper. Toll caps have not been used on any existing toll road, and any introduction of a cap would require a lead-time of several months to test the effects of the cap on the tolling scheme and to enable NZTA to formulate and introduce the feature.

s 9(2)(i)

Out of Scope

Timeline for Cabinet's consideration of the paper

Date	Step
23 September 2024	Provide feedback on the draft paper
26 September to 10 October 2024	Ministerial & cross-party consultation Departmental consultation.
17 October 2024	Lodge the paper
23 October 2024	Cabinet Economic Policy Committee
28 October 2024	Cabinet