

**Sensitive**

Office of the Minister of Transport  
Cabinet Economic Policy Committee

**Land Transport Revenue Action Plan: Report back on Tolling Reform**

**Proposal**

- 1 This paper outlines a proposed approach to road tolling to support the delivery of key projects in the Government's Roads of National Significance (RoNS) and Roads of Regional Significance (RoRS) programmes. It also seeks agreement to policy changes that will enable wider use of tolling for future projects.

**Relation to government priorities**

- 2 Taking decisions to enable greater use of road tolling is in the Government's Quarter 4 Action Plan. Tolling to fund infrastructure is also a commitment in the Coalition Agreement between the National Party and the ACT Party.

**Executive Summary**

- 3 New Zealand has an infrastructure deficit and needs new ways to help fund and deliver this infrastructure. Tolling is one tool that can support the building and maintaining of roading infrastructure. It directly charges people who use the roading infrastructure in return for a higher level of service, faster journey times, and more efficient connections.
- 4 Tolling is underutilised in New Zealand. Other countries use tolling to help fund new or upgraded roading infrastructure more frequently. The Crown is increasingly providing funding and using debt to build the infrastructure we need to enhance our productivity. In July 2024, Cabinet agreed to the Revenue Action Plan, which sets out a work programme to ensure we have a suite of tools in place to pay for high quality transport infrastructure in a way that is sustainable and affordable. One of these areas was to review tolling legislation.
- 5 Tolling has an important role as part of the overall mix of revenue tools, in that it allows a 'customer pays' approach targeted to a specific road. Tolling creates an additional revenue source, funded by direct users of the road, which can help accelerate the delivery of the project. Despite this, only three toll roads are currently in operation in New Zealand. Tolling can be a challenging tool to use in practice because users can divert onto untolled alternative routes. However, on the Northern Gateway, the vast majority of users choose to pay rather than take the alternative route.
- 6 I have already set an expectation that the New Zealand Transport Agency (NZTA) consider tolling for every new road. I am seeking Cabinet decisions regarding additional tolling schemes in a separate paper that accompanies this one.
- 7 In this paper I propose a new approach to ensure tolling supports investment, a customer-pays approach, offers clear benefits for users, and that there is always a free alternative. The proposals include enabling tolls to be set across entire corridors (including enabling toll revenue to be used across those corridors); improving the way toll rates are set to ensure they reflect actual costs of projects and allowing the Minister of Transport to require heavy vehicles to use tolled roads. s 9(2)(i)

s 9(2)(i)

- 8 If Cabinet agrees to these changes, I intend to issue drafting instructions for the necessary Bill, with the aim of the new tolling provisions being in place by 2026.

### Background

- 9 The key objectives of tolling are to:

- 9.1 provide revenue that brings forward the delivery of new projects such as new roads or additional lanes that are added to existing roads.
- 9.2 enable a 'customer pays' approach – customers of toll roads get an additional benefit relative to alternative routes including reduced travel times, and a more efficient and resilient route compared with the alternative. Tolling can allow those users to pay for these benefits.

- 10 My expectation is that future tolling proposals will meet these objectives as much as possible, noting this may not be entirely possible for every case.

- 11 Tolling is rarely used in New Zealand, with only three existing toll roads: the Northern Gateway (scheme established in 2009), Tauranga Eastern Link (2015), and Takitimu Drive (transferred to NZTA in 2015). Collectively these schemes raised \$41.3 million in gross revenue in the 23/24 financial year.<sup>1</sup> However, tolling has historically played a greater role in building New Zealand's transport network. For instance, the Auckland Harbour Bridge was originally a toll road when it opened in 1959, with light vehicles tolled two shillings and sixpence (approximately \$7.15 in 2024 dollars) to cover the initial construction cost. The same toll was initially applied to the Lyttelton Tunnel when it opened in 1964 (\$6.53 in 2024 dollars). Comparatively, New Zealand's current toll road rates are much lower, ranging from \$2.10 to \$2.60 for light vehicles.

- 12 Tolling also faces fundamental challenges that are not shared by other transport revenue tools. It can create broader inefficiencies in the network and erode the benefits of new projects by encouraging road users to divert to alternative routes. These alternative routes generally have increased travel times and inferior safety outcomes relative to the tolled route. The purpose and structure of tolling schemes can be unclear, in that users often perceive they are paying for a road twice (once through FED or RUC, and once through the toll) and there being no obvious link between the toll scheme and early delivery of project benefits.

- 13 Tolling has an important role to play in funding our transport system and have already taken key steps to ensure it is more widely used. In particular, I have set an expectation through the Government Policy Statement on land transport (GPS) 2024 that NZTA will consider tolling for the construction and maintenance of all new roads. In August this year I instructed NZTA to consult on tolling proposals for Takitimu North Link, Te Ahu a Turanga Manawatū Tararua Highway, and Ōtaki to north of Levin. I have submitted a separate paper regarding those proposals, and for Penlink.

- 14 I also consider a new approach is needed to ensure tolling is used in a principled way which supports the overall objective of enabling projects to be brought forward and

<sup>1</sup> NZTA Annual Report 2023-24: <https://www.nzta.govt.nz/assets/resources/annual-report-nzta/2023-24/nzta-annual-report-2024-section-d.pdf>.

preserves its social licence. I am therefore proposing a combination of legislative reform and non-legislative good practice regarding how schemes are developed.

### Principles for tolling

- 15 I propose four key principles to underpin the way future tolling schemes meet their objectives, building on the principles in the revenue action plan:
- 15.1 **Supporting Investment:** Tolling schemes need to meet the objectives of supporting the delivery of modern reliable infrastructure which helps to create a more efficient and productive roading network.
  - 15.2 **Customer-pays:** Tolling schemes should maximise revenue to support the investment needed. The people who use this infrastructure should contribute towards the infrastructure they are benefiting from. This means setting toll rates at a point which maximises revenue, while ensuring tolling system is operating efficiently.
  - 15.3 **Clear benefits for users:** It must be clear what toll road users are paying for, in terms of the benefits they receive from the project, and how the toll revenue supports those benefits. It is important that the earlier delivery of benefits to the public that the new transport projects provide, such as faster and more reliable travel time, improved safety and reduced vehicle operating costs, is clearly perceived by the public to be enabled by the toll.
  - 15.4 **Free Alternative:** The general public should always have a choice about whether to use toll roads. The Land Transport Management Act 2003 (LTMA) currently requires that a feasible, untolled, alternative route is available to road users. I do not propose this principle should always apply to heavy vehicles, particularly where the proposed toll road is being delivered to reduce congestion in built up or suburban areas.
- 16 I am proposing several steps to address these issues. Most significantly, I am seeking Cabinet's agreement to a set of changes to the tolling provisions in the LTMA that will be more enabling of future tolling schemes.
- 17 I am also taking steps to ensure tolling schemes are more administratively efficient. Through the GPS, I have set a clear expectation that expenditure on administration should reduce as a share of overall tolling revenue. <sup>s 9(2)(f)(iv)</sup>
- 18 However, I still consider there are further changes we need to make to how we do tolling consultations. Informed by the recent experience of consultation on tolling proposals, I will be expecting the following changes in the way NZTA undertakes consultation in future.
- 18.1 **Consultation with the public regarding tolling schemes must be undertaken early, and enable the benefits of tolling to be clear.** These benefits include supporting the delivery of project benefits such as faster travel times, and

improved safety and vehicle operating cost outcomes. I expect consultation documents to clearly outline all the benefits the tolled road is expected to deliver.

- 18.2 **The wider impacts of tolling schemes must be factored into tolling assessments**, such as the additional congestion and wear and tear on alternative routes. For future schemes I will be expecting advice from NZTA about factors such as the impacts of diversion onto local roads and options for tolling revenue supporting the resulting maintenance.
- 18.3 **All relevant information being made available to the relevant territorial authorities and the general public at the start of the consultation process, including tolling assessments.** I expect these tolling assessments must be carried out in a structured, consistent manner that is easy for the public to understand.

### Tolling legislative reform

- 19 The LTMA enables the establishment of road tolling schemes. Road Controlling Authorities (RCAs) submit proposals to the Minister, and the Minister must judge these proposals against the statutory criteria in the LTMA. An Order in Council is used to establish a road tolling scheme for or on behalf of a public RCA. The Minister has wide discretion to accept, decline, or amend tolling schemes within the LTMA.
- 20 To deliver on the principles set out in this paper, I am proposing a package of reforms involving five areas:
- 20.1 Enabling the tolling of an entire corridor, including existing roads that benefit in capacity or efficiency from a new project
- 20.2 Changing the approach to price setting in legislation  
s 9(2)(i)
- 20.4 Allowing the Minister to require heavy vehicles to use toll roads where the toll road is built to deliver efficiencies for the freight network.
- 20.5 Changing who is liable to pay tolls.

*Current settings do not enable tolling across an entire corridor*

- 21 The LTMA mostly limits tolling schemes to 'new roads.' Existing roads can be tolled, but only in situations where the existing road is located near and is physically or operationally integral to the new road. s 9(2)(f)(iv), s 9(2)(ba)(ii)

s 9(2)(f)(iv), s 9(2)(ba)(ii)



- 23 To remedy this, I recommend amending the LTMA to expand the range of existing roads that can be tolled to include those where their efficiency has been enhanced by, or their users accrue benefit from the construction of a new road on the same corridor

s 9(2)(f)(iv), s 9(2)(ba)(ii)

- 24 I also recommend the LTMA be amended to enable toll revenue to be spent across all roads that form part of a tolling scheme. The current legislation only allows the revenue to be spent on the new sections. Making this change ensures toll revenue can be used across corridors

s 9(2)(f)(iv), s 9(2)(ba)(ii)

- 25 I am recommending the LTMA be amended to enable toll revenue to be used to support the maintenance of local alternatives where the relevant RCA is unable to fund this itself.

*Current provisions encourage tolls to be set lower than the optimal level*

- 26 Tolls are currently set in the Orders in Council for each road. Adjustments to the level of the toll are generally limited to the Consumers Price Index (CPI). To get toll schemes off the ground and limit local opposition, tolls have generally been set at lower levels that limit their use as revenue sources. Coupled with CPI adjustments not occurring regularly, tolls are generally not set at optimal levels for recovering costs and generating revenue.

- 27 Any change to the way we set tolls needs to balance the risk of high levels of diversion onto untolled routes. High levels of diversion would not help us accomplish our objectives of improving productivity and safety. I therefore recommend we amend the LTMA to set requirements in legislation to consider when setting toll prices, including:

27.1 the maximum revenue potential of the toll road

27.2 the level of service and value a user receives from a toll road

27.3 the effects of the proposed toll on the wider road network.

- 28 I intend for price adjustments to become automatic – currently the process is manual and happens sporadically. I consider this is most likely to occur via CPI adjustments. The LTMA already enables this to happen, provided it is specified in the Orders for each road. However, I am recommending that the LTMA is amended to require all toll roads to be automatically CPI adjusted every three years.

- 29 There may be more flexibility to set higher tolls if there were other features, such as weekly caps to limit costs for frequent users. While a weekly cap has not previously been set, the LTMA provides sufficient flexibility to allow it within an Order for each individual toll road. I do not consider it necessary to require weekly caps, however I expect that NZTA will ensure its back office is able to provide for a weekly cap and that these are considered when developing tolling proposals.

s 9(2)(i)

*Allowing the Minister to require heavy vehicles to use toll roads*

- 37 The LTMA also requires that the Minister must be satisfied that a feasible, untolled, alternative route is available to all road users who do not wish to pay the toll. There is no specific definition of 'feasible' in the law, so the test usually considers the characteristics of the route. This requirement ensures that nobody must pay a toll to access their property, work, or educational opportunities, and I consider that it should be maintained for most vehicles. This approach retains tolling as a tool for users to choose whether to pay for a higher level of service, without forcing them to do so.
- 38 While I consider that the general principle behind this requirement is sound, it should not extend to heavy vehicles, which not only gain significant benefits from toll roads,

but also impose significant costs on alternative routes.<sup>2</sup> I therefore propose allowing the Minister to require heavy vehicles or certain classes of heavy vehicles to use a certain toll road, except for where they have business on alternative routes. This is already done on several toll roads in Australia, mainly to remove heavy vehicles from local or residential streets. For example, most heavy vehicles are required to use the Northconnex tolled tunnels in Sydney and not the untolled Pennant Hills Road as a key goal of the tunnels was to remove trucks off local roads.

- 39 In practice this is unlikely to be used frequently, given that heavy vehicle operators tend to be less price-sensitive than other road users, and that the time savings and efficiency benefits of new roads is likely to significantly outweigh the cost of the toll. Given the costs that heavy vehicles can impose on local alternative routes I consider it prudent to create this power.

#### *Vehicle owners should be liable for paying tolls*

- 40 Drivers are currently liable for tolls. This can make it operationally difficult to confirm liability for tolls, such as when a tourist is driving the vehicle. I recommend that we alleviate this by amending the LTMA to make the registered person associated with the vehicle (in most cases the owner) liable for paying a toll.
- 41 Currently, the registered person can supply NZTA (as the toll operator) a sworn statement or a statutory declaration giving the details of the driver of the vehicle at the time a toll was issued, or else that their vehicle was stolen. This transfers liability to the person driving the vehicle and is operationally expensive to manage compared to current toll prices and is consistent with the approach for liability for infringements issued from safety cameras. This requirement is being examined as part of the time-of-use charging process and I intend to align these requirements if any changes are made. The likely approach will be to limit the ability to transfer liability via a statutory declaration to cases where the vehicle was stolen.

#### **Implementation**

- 42 My intention is for expanded tolling provisions to be available from 2026, which will support delivery of the RoNS and RoRS programmes.

#### **Cost-of-living Implications**

- 43 There are no direct cost-of-living implications arising from this paper. In general, greater use of tolling provisions would be expected to increase the costs of motorists who use those roads. However, it does this by ensuring that users of a particular road pay a greater share of its cost, thereby freeing up the NLTF (which is funded by all road users) for other projects. There will also be a free alternative available for each road for those who choose not to pay. The cost-of-living implications of future tolling proposals will be considered on a case-by-case basis.

#### **Financial Implications**

- 44 There are no direct financial implications arising from this paper.

#### **Legislative Implications**

- 45 A bill to give effect to the policy changes in this paper will be required. I intend to report

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<sup>2</sup> In New Zealand, a heavy vehicle has a gross vehicle mass (GVM) of more than 3500 kilograms.

back to Cabinet in 2025 with a bill that would give effect to these decisions, alongside decisions regarding the RUC transition. I will be seeking approval to add this bill to the 2025 Legislation Programme in due course. The Bill would bind the Crown.

## Impact Analysis

### Regulatory Impact Statement

- 46 As this paper proposes new legislation for tolling the regulatory impact analysis requirements apply. A Regulatory Impact Statement (RIS) has been prepared. This RIS has been reviewed by a panel of representatives from the Ministry of Transport which has given the following comment: "The Regulatory Impact Statement received a 'partially meets' rating against the quality assurance criteria for the purpose of informing Cabinet decisions. The panel considers that the RIS provides a sufficient basis for informed decisions on the current proposal. However, there is a lack of public consultation to gain more evidence on the options to support the RIS. The RIS could also be condensed. The scope is limited to the options directed by the Minister."

### Climate Implications of Policy Assessment

- 47 The Climate Implications of Policy Assessment (CIPA) team has been consulted on the tolling elements of this paper and confirms that the CIPA requirements do not apply to this proposal, as the emissions impact is indirect. This proposal concerns legislative changes to enable future tolling projects but does not propose any specific projects right now. The tolling projects, which are expected to have an emissions impact, will be submitted to the Cabinet later and will undergo their own CIPA assessments.

### Population Implications

- 48 There are no direct population implications arising from the proposals in this paper. However, decisions regarding individual tolling proposals could have an impact on specific population groups depending on the circumstances of the toll road (such as the toll rate, or the availability of an alternative route or alternative forms of transport). Specific population groups may also benefit from tolls if they bring forward projects.

### Human Rights

- 49 The proposals are consistent at this stage with human rights issues contained within the relevant Acts, including the New Zealand Bill of Rights Act 1990, the Human Rights Act 1993, and the Privacy Act 2020.

### Use of external Resources

- 50 There were no external resources used in the development of these proposals.

### Consultation

- 51 The following agencies were consulted on this Cabinet paper: the Treasury, Department of Internal Affairs, Ministry of Housing and Urban Development, NZTA, and the Infrastructure Commission. The Department of the Prime Minister and Cabinet was informed.

### Communications

- 52 I intend to announce these decisions in due course.



## Proactive Release

- 53 This Cabinet paper (and associated minutes) will be released within 30 business days of final decisions being confirmed by Cabinet, subject to redactions as appropriate under the Official Information Act 1982.

## Recommendations

The Minister of Transport recommends that the Committee:

- 1 **note** that in June 2024, Cabinet agreed to the greater use of tolling as part of decisions on the Revenue Action Plan [CAB-24-MIN-0248 refers];
- 2 **agree** that as part of using tolling more often, the principles of supporting investment, customer-pays, clear benefits for users, and the availability of a free alternative route should apply;
- 3 **note** that I expect NZTA to make the following changes to the way it undertakes tolling assessments to meet the principles described in recommendation 2:
  - 3.1 undertaking public consultation at a time that enables benefits associated with tolling schemes to be made clear to the public;
  - 3.2 considering the wider impacts of tolling schemes;
  - 3.3 making all relevant information, including tolling assessments, publicly available at the start of the consultation process;

### *Enabling corridor tolling*

- 4 **note** that the LTMA limits tolling to new roads, with existing roads only able to be tolled where they are physically or operationally integral to a new road;
- 5 **agree** to expand the criteria of roads that can be tolled to include existing roads where users receive benefits from the construction of a new road on the same corridor;
- 6 **note** that tolling revenue may only be used on a new road, even where an existing road is included in a tolling scheme or a toll road induces traffic onto alternative routes;
- 7 **agree** to enable toll revenue gathered through a tolling scheme to be used for all new and existing roads covered by that scheme;
- 8 **agree** to enable toll revenue to be used for the maintenance of alternative routes where the local road controlling authority is unable to fund this themselves;

### *The alternative route requirement*

- 9 **note** that before agreeing to a tolling proposal, the Minister of Transport must be satisfied that a feasible untolled alternative route is available to users;
- 10 **agree** to create an exception to this requirement for the purposes of requiring heavy vehicles or certain classes of heavy vehicles to use a certain toll road;

### *Strengthening toll price setting*

- 11 **note** that recent tolls have generally been set at low levels that limit their revenue potential;

- 12 **agree** to set requirements in legislation for the Minister to consider the following factors when setting toll prices:
- 12.1 the maximum revenue potential of the toll road;
  - 12.2 the level of service and value a user receives from a toll road;
  - 12.3 the effects of the proposed toll on the wider road network;
- 13 **agree** to set a requirement in the Land Transport Management Act 2003 for toll rates to be automatically adjusted by the Consumers Price Index every three years;

s 9(2)(i)

*Liability for tolls*

- 19 **note** that drivers of a vehicle are currently liable to pay tolls, which can cause challenges for NZTA to identify and collect tolls from the driver;
- 20 **agree** to amend the LTMA to make a vehicle's registered person liable for tolls;

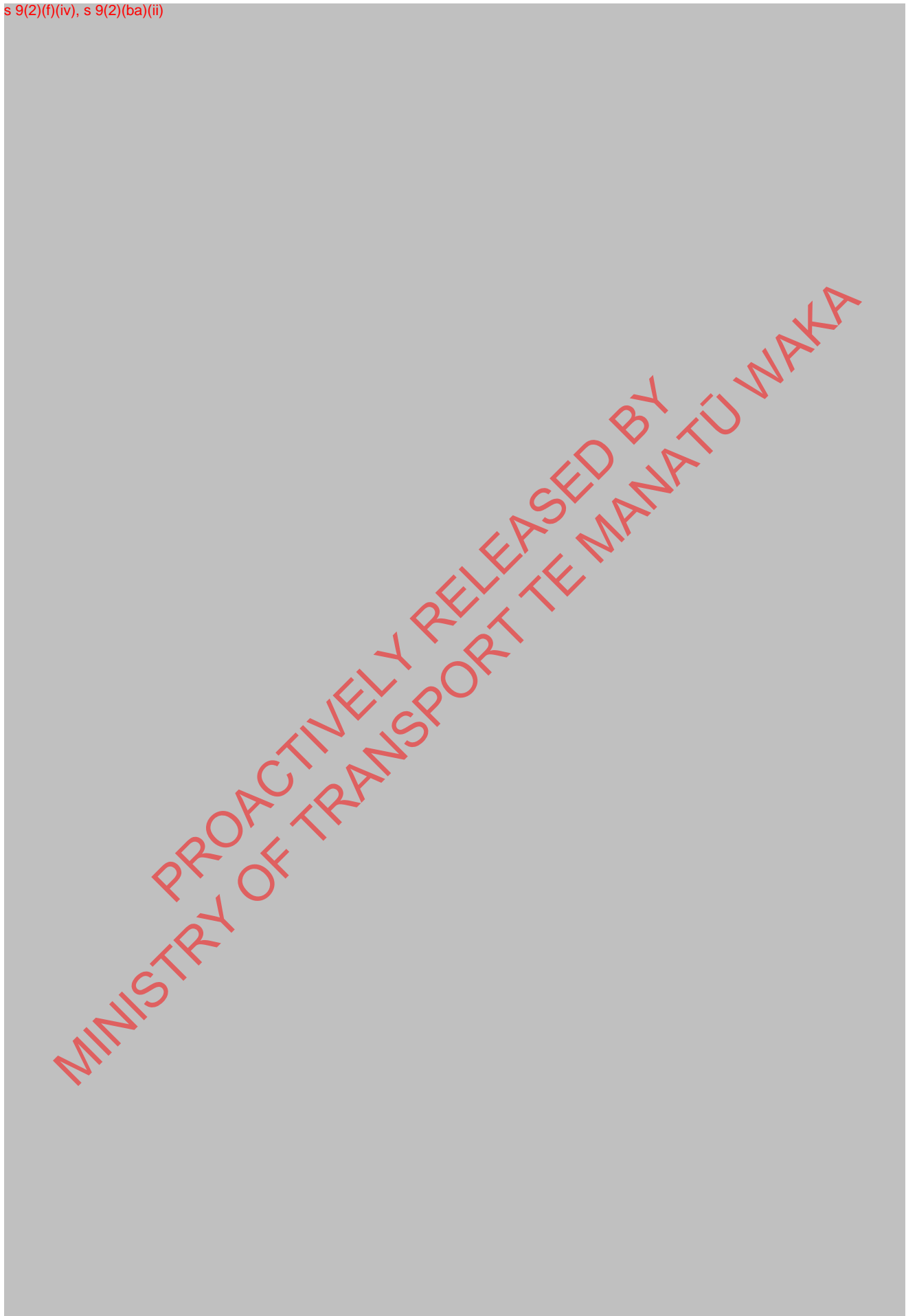
*Next steps*

- 21 **note** that the Minister of Transport will seek agreement to add the Bill to the 2025 Legislation Programme at the appropriate time;
- 22 **invite** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give legislative effect to the above decisions (including for primary legislation and any associated regulations), including any necessary consequential amendments, savings, and transitional provisions;
- 23 **authorise** the Minister of Transport to make further decisions consistent with the overall policy, provided that any such decisions are confirmed by Cabinet when the Bill is considered for introduction.

Authorised for lodgement.

Hon Simeon Brown  
**Minister of Transport**

s 9(2)(f)(iv), s 9(2)(ba)(ii)



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MINISTRY OF TRANSPORT TE MANATŪ WAKA

s 9(2)(ba)(ii), s 9(2)(f)(iv)

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s 9(2)(f)(iv), s 9(2)(ba)(ii)



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