

OC240808

15 August 2024



Tēnā koe 

I refer to your email dated 12 July 2024, requesting the following under the Official Information Act 1982 (the Act):

- *Documents/reports or similar that outline all and/or some of the ‘potential changes’ above*
- *Any briefing to any minister about the ‘potential changes’, subsequent to the Feb briefing*
- *A summary of the latest status of any work being done on this ,including*
 - *Are there reports or reviews underway;*
 - *have MOT people been going to Ireland or other countries to check out what they do – where, when and what did they report back?*

The Ministry contacted you to clarify the scope of your request on 16 July 2024 and you confirmed you were seeking documents and briefings that outlined any potential changes to tolling legislation or operations since 2 February 2024.

We partially transferred your request to NZTA on 17 July so they could respond in relation to the NZTA briefing you quoted as part of this request.

Twenty-three documents fall within the scope of your request. Annex 1 outlines how the documents you requested have been treated under the Act.

For the documents that have been released, certain information is withheld under the following sections of the Act:

- | | |
|-------------|---|
| 6(b)(i) | if the making available of that information would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government |
| 9(2)(f)(iv) | to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials |
| 9(2)(g)(i) | to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty |

- 9(2)(ba)(i) to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- 9(2)(b)(ii) to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

We have provided extracts of the relevant information you requested where the information is part of larger documents containing information outside the scope of your request.

Some of the information released to you are reports from international trips. These internal documents were created to share information and insights from such trips. They are not Government policy.

Regarding the specific questions that you asked, our answers to these are outlined in annex 2 below.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Matthew Skinner
Manager Revenue

Annex 1 – Document Schedule

Doc#	Date	Document	Decision on Release
1	2 May 2024	OC240422 [Title Withheld]	Document name and content withheld in full under Section 9(2)(f)(iv)
2	8 May 2024	OC240480/LG20242003 – [Title Withheld]	Document name and content withheld in full under Section 9(2)(f)(iv)
3	8 May 2024	A3 - Infrastructure and Investment Ministers' Meeting – Discussion on the proposed land transport revenue work programme	Document content withheld in full under Section 9(2)(f)(iv)
4	23 May 2024	OC240514 [Title withheld]	Document name and content withheld in full under Section 9(2)(f)(iv)
5	23 May 2024	230524 [Title withheld]	Document name and content withheld in full under Section 9(2)(f)(iv)
6	30 May 2024	OC240576 [Title withheld]	Document name and content withheld in full under Section 9(2)(f)(iv)
7	May 2024	INZ Delegation – Road User Charging presentation by Transport Infrastructure Ireland	Released in Full
8	May 2024	User Paid Infrastructure – Funding and Financing presentation by Denmark Ministry of Transport	Released in Full
9	May 2024	Infrastructure NZ Trip Report – Road User Charges	Released in Full
10	13 June 2024	OC240635 [Title withheld]	Document name and content withheld in full under Section 9(2)(f)(iv)
11	18 June 2024	OC240514 [Title withheld]	Document name and content withheld in full under Section 9(2)(f)(iv)
12	18 June 2024	OC240514 talking points [Title Withheld]	Document name and content withheld in full under Section 9(2)(f)(iv)
13	25 June 2024	Notes on Australian Trip (internal notes)	Partially released. Some information withheld as out of scope, or under sections 6(b)(i) 9(2)(f)(iv), 9(2)(g)(i), 9(2)(ba)(i), or 9(2)(b)(ii).
14	26 June 2024	Australian Trip Summary (internal memo)	Partially released. Some information withheld as out of scope, or under sections 6(b)(i) or 9(2)(g)(i).
15	8 July 2024	A3 – [Title withheld]	Document name and content withheld in full under Section 9(2)(f)(iv)
16	8 April 2024	Extracts from Transport portfolio week commencing 8 April 2024	Withheld in full under 9(2)(f)(iv).

Doc#	Date	Document	Decision on Release
17	15 April 2024	Extracts from Transport portfolio week commencing 15 April 2024	Extract released. Some information withheld under Section 9(2)(f)(iv).
18	29 April 2024	Extracts from Transport portfolio week commencing 29 April 2024	Withheld in full under 9(2)(f)(iv).
19	6 May 2024	Extracts from Transport portfolio week commencing 6 May 2024	Withheld in full under 9(2)(f)(iv).
20	13 May 2024	Extracts from Transport portfolio week commencing 13 May 2024	Withheld in full under 9(2)(f)(iv).
21	20 May 2024	Extracts from Transport portfolio week commencing 20 May 2024	Extract released. Some information withheld under Section 9(2)(f)(iv).
22	24 June 2024	Extracts from Transport portfolio week commencing 24 June 2024	Withheld in full under 9(2)(f)(iv).
23	1 July 2024	Extracts from Transport portfolio week commencing 24 June 2024	Withheld in full under 9(2)(f)(iv).

Annex 2 – Answers to Specific Questions

Question	Answer
<p><i>A summary of the latest status of any work being done on this ,including Are there reports or reviews underway</i></p>	<p>As part of the Government policy statement on land transport 2024, the Minister of Transport outlined his expectation that the Ministry of Transport and the NZTA to work together on the future of land transport revenue, including reform of tolling legislation.</p> <p>This work is ongoing, and announcements will be made in due course.</p>
<p><i>have MOT people been going to Ireland or other countries to check out what they do – where, when and what did they report back?</i></p>	<p>There have been two international trips that Ministry staff have undertaken this year that have included tolling content:</p> <p>Ireland, Northern Ireland, and Denmark: 10-24 May 2024 David Wood, Deputy Chief Executive, Investment and Monitoring at the Ministry participated in the Infrastructure New Zealand delegation to Ireland, Northern Ireland and Denmark in May 2024.</p> <p>Australia: 16-21 June 2024 Tessa Ayson (Manager, Strategy), Tim Herbert (Manager, Investment), Dan Jenkins (Manager, National Transport Modelling), and Matthew Skinner (Manager, Revenue) travelled to Australia in June 2024.</p> <p>Generally, tolling only made up a small part of these trips. Their outputs and reports from these trips have been included as per the schedule in annex 1.</p>

Annex 3 – Weekly Report updates regarding changes to tolling settings

15 April 2024 – Weekly Report to the Minister of Transport

Project: Tolling	
§ 9(2)(f)(iv)	
Tolling proposals NZTA is continuing to progress advice to you on options to minimise the cost to toll Penlink. In addition, NZTA is preparing a briefing for you that sets out broader work underway to investigate other initiatives to reduce administration costs and economies of scale for toll roads.	
§ 9(2)(f)(iv)	§ 9(2)(f)(iv)

20 May 2024 – Weekly Report to the Minister of Transport

Project: Tolling	
§ 9(2)(f)(iv)	
Request for Proposals (RFP) released – roadside infrastructure for tolling/pricing NZTA released an RFP this week relating to roadside infrastructure for tolling or pricing. This process will gather relevant information from which NZTA can assess different technology options for the Penlink tolling scheme (e.g. roadside cameras, gantry with cameras) and will also provide us with up-to-date costing. The RFP takes a broad approach in that it is not limited to the specific roading features of Penlink, and in turn will provide information about roadside infrastructure that could be considered for other use cases such as time of use pricing. The deadline for proposals is 17 June and NZTA expects to update you in July following its consideration of the information received.	

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Road User Charging



Better Road User Charging Evaluation

- Toll Concession PPP
- Availability PPP



Preparing for the future expiry and handback of the PPP assets



13
PPP
Concessions
c.400 km



12 Toll Points



2033 - 2052

PPP Expiries
Majority Expiring
2033-2037



€32bn

Value of the
National Road
Network*
*2017

BRUCE is a strategic decision-making process to explore future options for the next generation of road user charging (RUC) in Ireland.

Objectives of BRUCE



Climate Action Plan
Encourage transport decarbonisation in line with national targets



Financial Sustainability
Secure the future of the national road network as a financially resilient and well-maintained economic asset



Connectivity & Growth
Deliver reliable and enhanced rural and regional connectivity to stimulate compact economic growth without major network expansion



Health & Safety
Support safety and wellbeing by improving air quality, road safety and encouraging active travel



Equity & Inclusion
Ensure economic and social opportunities can be accessed by people of all demographics and geographies across generations

Activities of BRUCE thus far:

- Gathering evidence
- Exploring options
- Participating in the National and Greater Dublin Area demand management discussions
- Learning from European experiences

Key Findings of BRUCE



This is **complex and challenging** – outside of Dublin, the high reliance on cars with limited feasible alternatives means rural and urban may need different solutions

Consideration of national road user charging in tandem with **evolution of motor and fuel taxation** as vehicles become more fuel efficient and electrify

Climate Action Plan
The ability to influence emissions on the national road network through RUC is limited and requires alignment with other policies

Financial Sustainability
A form of road user charging is necessary given transition to low and zero emission vehicles

Demand and Congestion Management
National RUC has potential to cap traffic growth, but it will be challenging to avoid the need for new capacity

A wide network means less disruption and pollution for local communities
The greater the extent of the RUC network the more minimal the propensity of re-routing journeys along local roads to avoid charges

Equity Challenges
There are significant differences in impact across location and income categories, with non-availability of alternatives restricting opportunities for behavioural change

Demand Management & Externalities

Traffic on Irish roads has increased along with population

Without additional measures, congestion and emissions will increase on the national road network which may mean operating above capacity in some areas at peak hours, leading a rise in externalities

Externalities	Costs
Accidents	€1.6 bn
CO2 emissions	€1.2 bn
Congestion – longer and less reliable journey times, economic impact for freight	€1.15 bn
Pollution and air quality	€1 bn
Noise	€0.7 bn
Estimated total cost of externalities on all Irish roads in 2019	€5.65 bn*

Externality costs do not include the operational, maintenance and renewal costs of roads which total €1.17 bn**

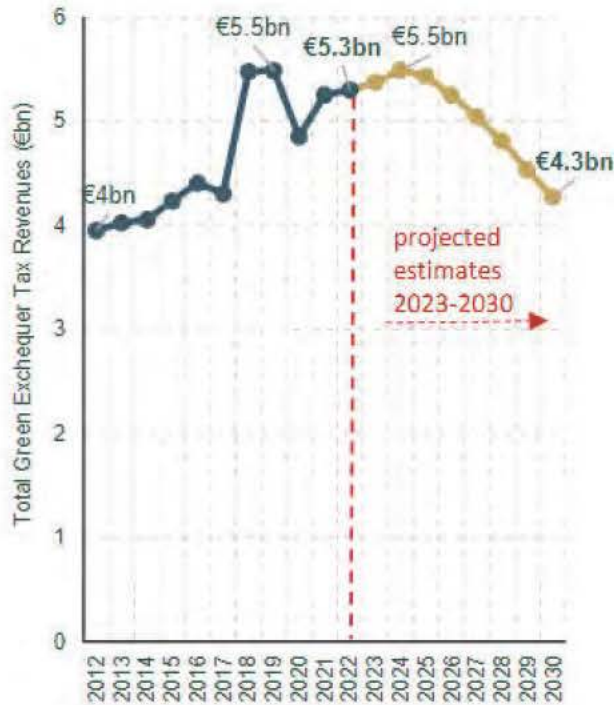
Sources: *CE Delft Handbook of External Costs of Transport, **National Investment Framework for Transport in Ireland Background Paper 6



Sustainable Funding

Projected impact of a low carbon economy on Ireland's exchequer revenue 2022 – 2030*

A: Projection estimates of potential exchequer fiscal impacts of the transition to a lower carbon economy in Ireland, 2022-2030



Source: Revenue, Department of Transport, EPA and SEAI data, analysis Department of Finance.

- The state currently collects around €5.5 bn (incl. mineral oil tax), thus 75% of externalities and operation, maintenance and renewal costs are covered
- Since 2012, the number of vehicles on the road has increased 21% and is projected to grow further
- As the marginal cost of owning a vehicle decreases, given hybrid and electric vehicles, motoring will increase which will add to demand and congestion
- Thus externalities will increase, but....
- By 2030 revenue is projected to drop by at least €1 bn
- Road user charging has a role in helping to internalise road transport costs and bridge this gap

*Source: Potential fiscal impacts of the transition to a lower carbon economy in Ireland, Depart of Finance, July 2023

Next Steps

- PPP expiry – hand back, timing and communications
- Align with the National Demand Management Strategy (draft published March 2024), engaging with Department of Transport and Department of Finance on motor taxation reform
- Engage with National Transport Authority on Demand Management
- Continue to monitor other jurisdictions on emerging road user charging approaches and best practice
- Explore road user charging pilots

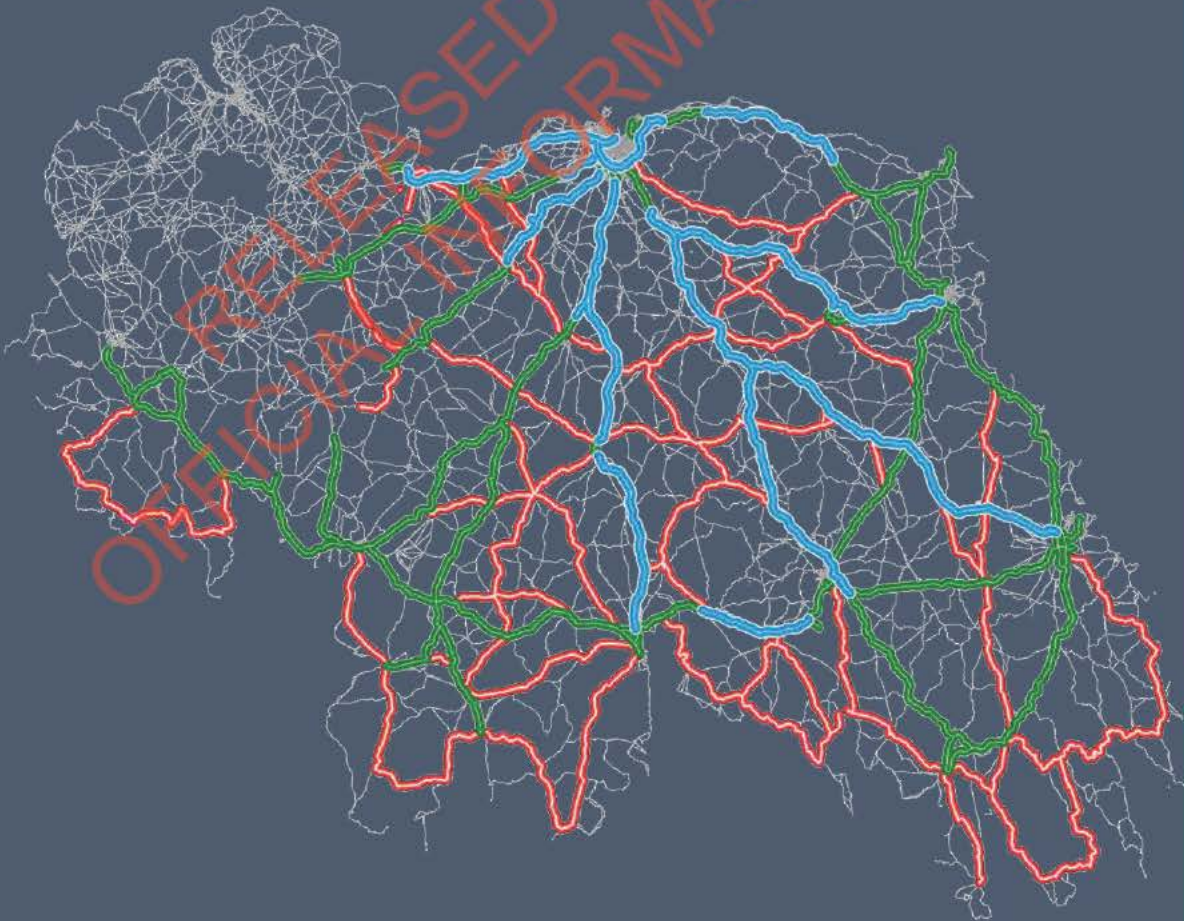
Key Takeaways – What does the Future Hold?

- Transformation and opportunity are coming in the form of electrification – financial sustainability is necessary
- Additional demand management measures are necessary
- Incremental rollout of road user charging in an equitable manner
- Road user charging can help support Ireland’s climate transition, but it is only one part of a complex problem





Transportation Trusts Institute



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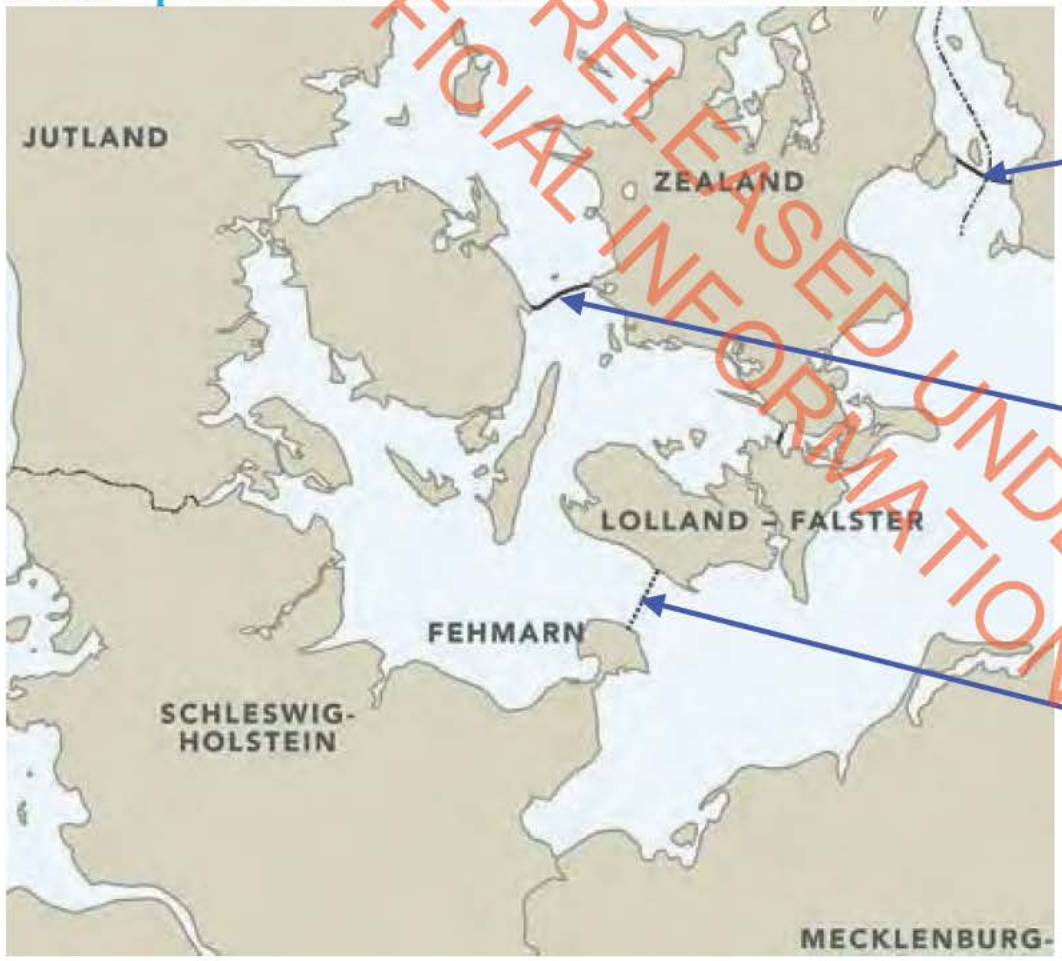
Ministry of Transport

User-paid infrastructure – Funding and financing

Copenhagen, 17 May 2024

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User-paid infrastructure in Denmark



Øresund (2000)



Great Belt (1997/1998)



Fehmarn Belt (2029)

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Great Belt Fixed Link



Construction cost: 45 billion DKK / 11 billion NZD (current price level)

Estimated repayment period: 36 years

No hinterland connections

Road traffic: 37,200 vehicles per day (April 2023-March 2024)

Rail transport: 8.3 million passengers (2023)

Øresund Fixed Link



Construction cost (current price level):

Coast-coast:

29 billion DKK / 7 billion NZD

Danish hinterland connections:

10 billion DKK / 2.4 billion NZD

Swedish hinterland connections:

4 billion DKK / 1 billion NZD

Estimated repayment period:

50 years

Road traffic:

20,000 vehicles per day (April 2023-March 2024)

Rail traffic:

16.1 million passengers (2023)

Fehmarn Belt Fixed Link



Estimated construction cost:

- Tunnel 55.1 billion DKK / 13.4 billion NZD (2015 prices)
- Hinterland connections (Denmark) 9.5 billion DKK / 2.3 billion NZD (2015 prices)

Expected repayment period:

- 28 years, including Danish hinterland connections – Germany pays the German hinterland connections via the State Budget

Road traffic: 12,500 vehicles per day in 2032

Rail traffic: 1.1 million passengers per year (first year of operation)

Common conditions

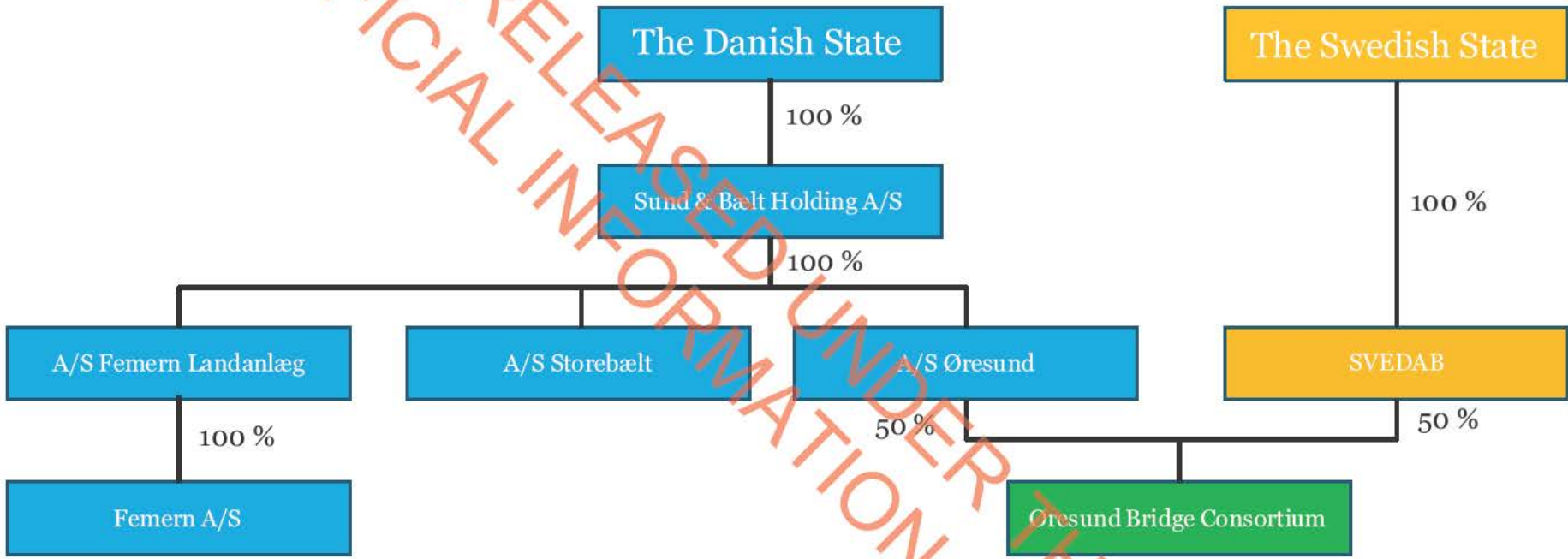
- Mega projects not fundable via State Budget
- Used to paying for ferry services
- No direct alternatives free of charge
- Net travel time reduction approximately one hour

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Differences

- The Great Belt Fixed Link is a domestic link
- The Øresund Fixed Link is owned 50:50 by Denmark and Sweden
- The Fehmarn Belt Fixed link is 100 per cent owned by Denmark
- Road traffic on the Great Belt is mainly domestic
- Many cross-border commuters on the Øresund Fixed Link (27 per cent of road traffic in 2023)
- A lot of leisure traffic on the Fehmarn Belt Fixed Link (forecasted to be 76 per cent of all passengers)

Organization



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State guarantee model

A state-owned company is set-up to be responsible for

- Planning
- Design
- Construction
- Financial management
- Operation
- Maintenance
- Reinvestments

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State guarantee model

- Planning and construction is funded by state loans or loans raised on the international financial markets with a State guarantee
- Low financing cost (the Danish State is AAA-rated)
- The debt is repaid by tolls and user charges
- The state guarantee will come into effect only if the company is not able to repay its debt

State aid

- According to the European Commission and the General Court at the European Court of Justice, user-paid infrastructure is economic activity.
- Therefore, it is covered by EU state aid regulations
- The duration and the amount of state loans or loans with a state guarantee are restricted.
- Dividends can be paid when the state aid has been ended.

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Tolls

Øresund:

- The Øresund Bridge Consortium fixes the tolls

The Great Belt:

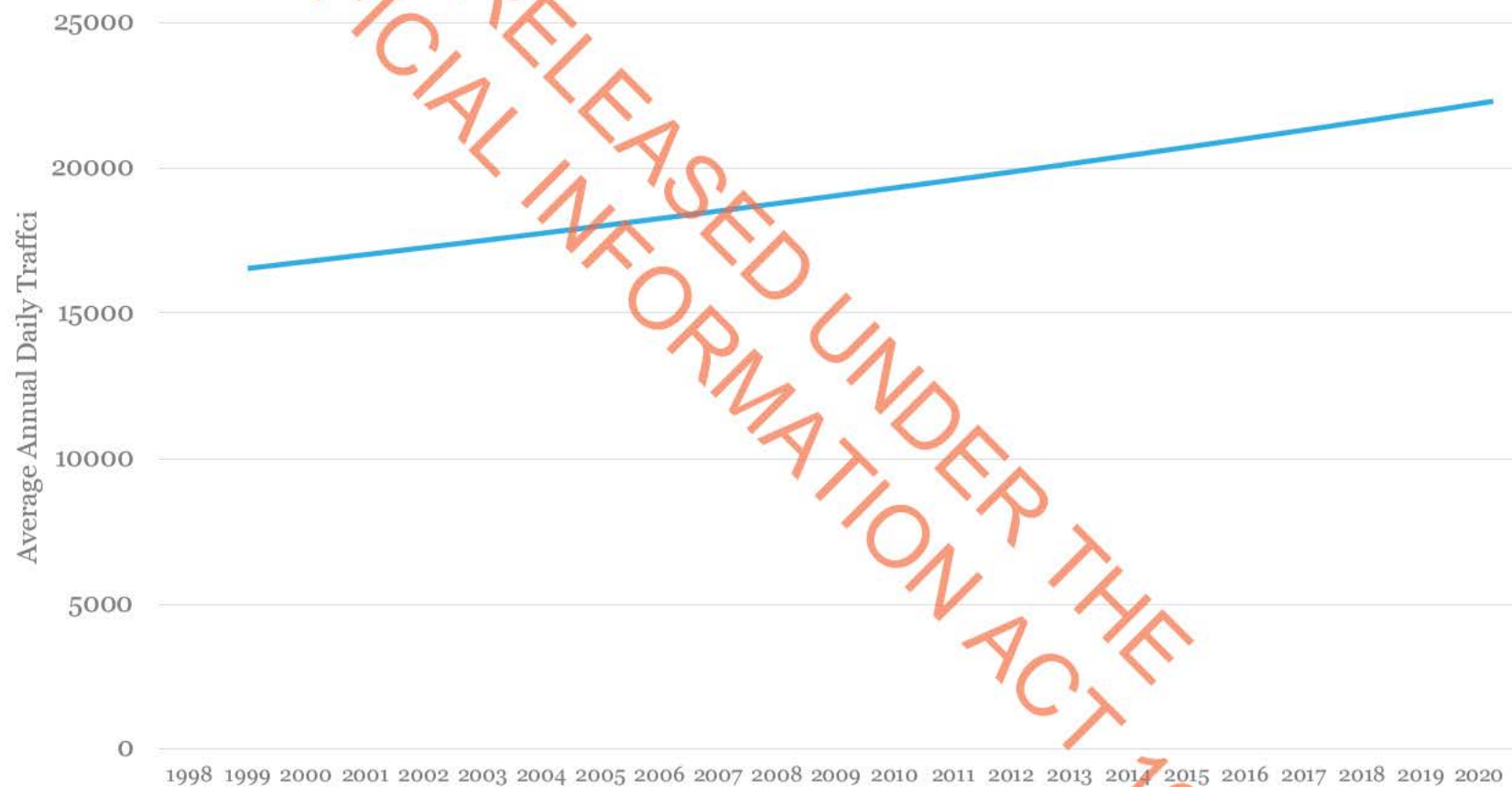
- The Minister for Transport decides the tolls – backed by a majority in Parliament
- Changes in existing discounts and new discounts that have only minor impact on the revenues might be decided by Sund & Belt Holding A/S.

Fehmarn Belt:

- The Danish Minister for Transport decides the tolls, including discounts – backed by a majority in Parliament

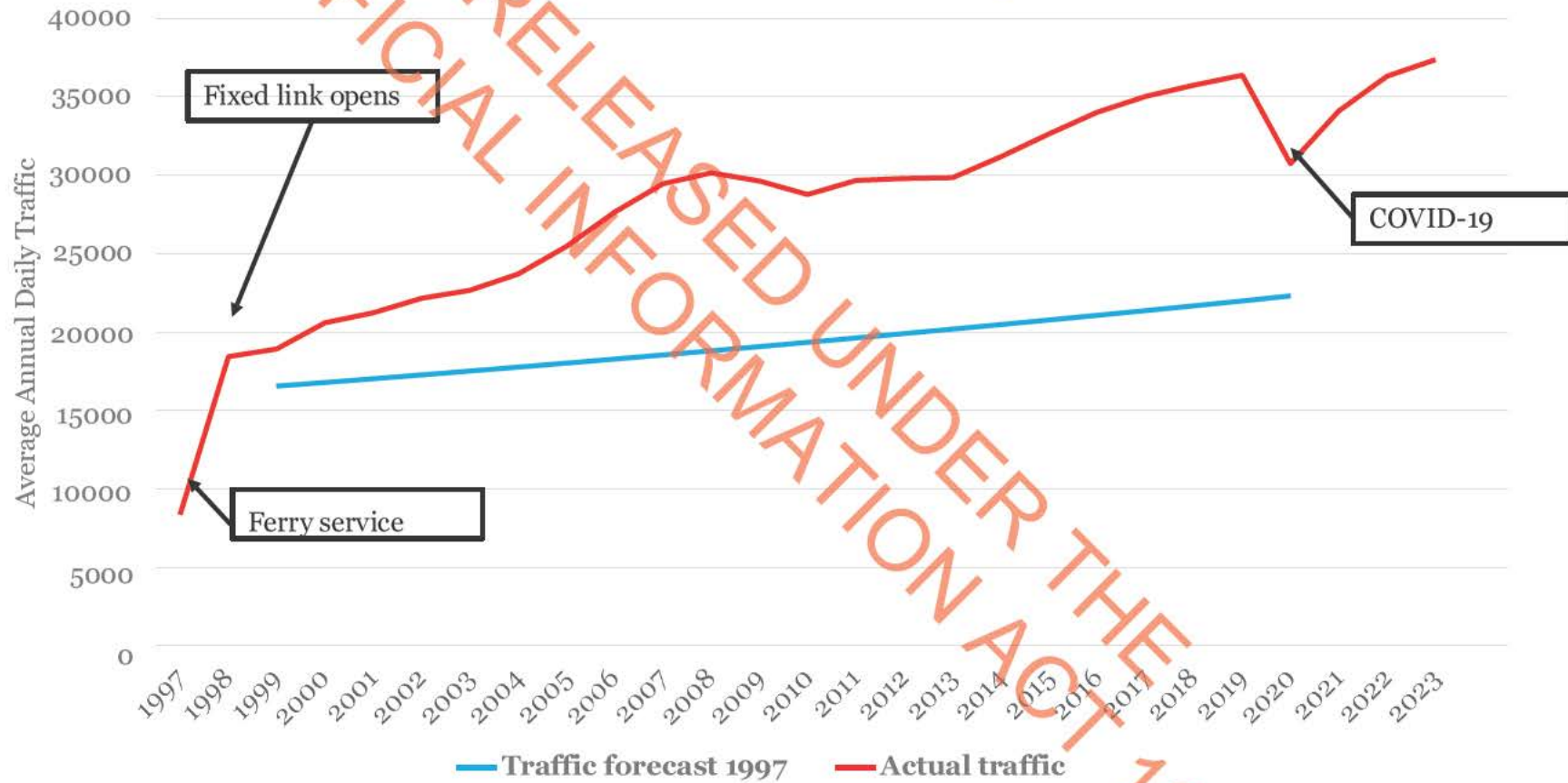
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The Great Belt Fixed Link – Traffic forecast 1997

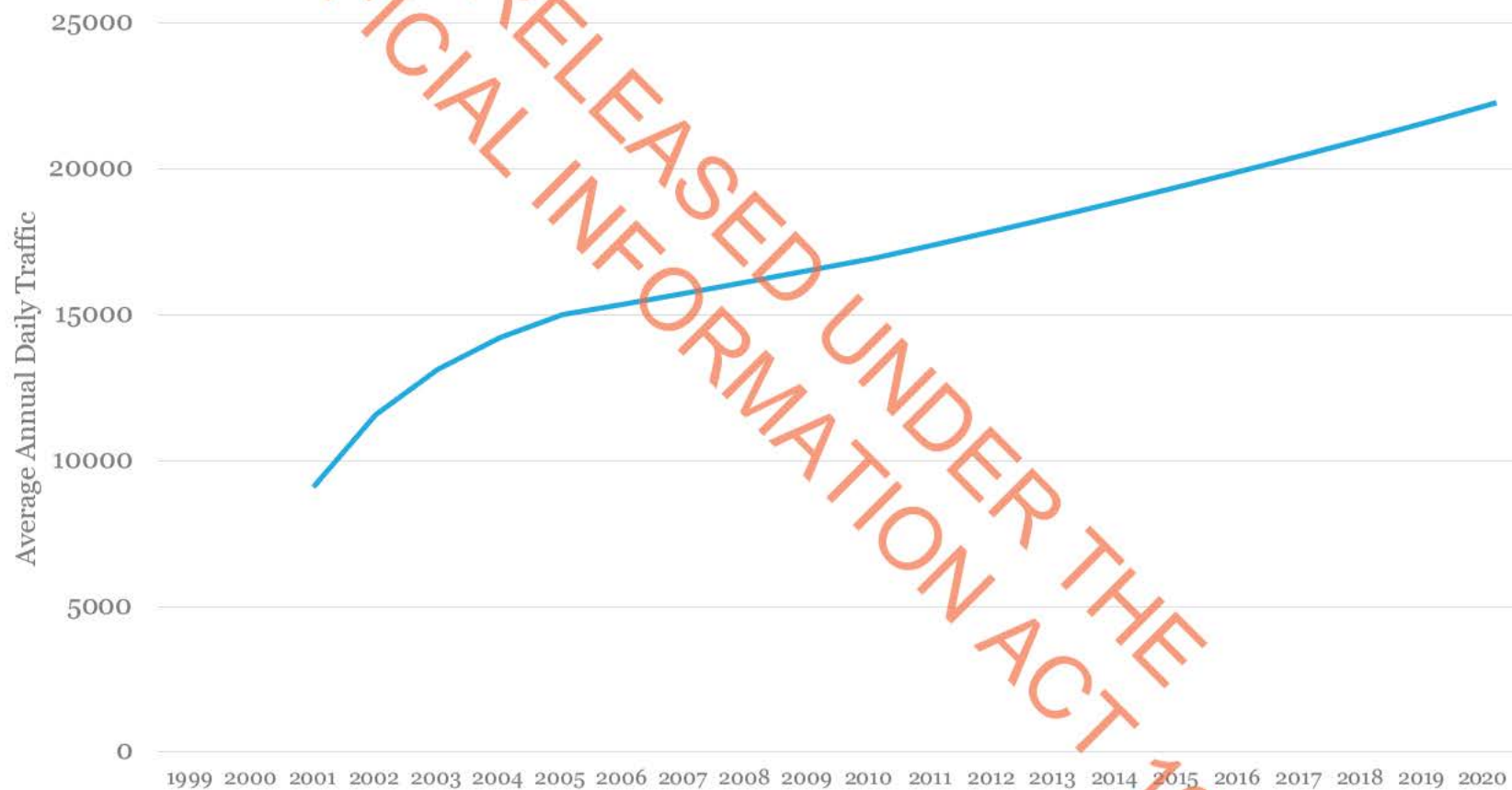


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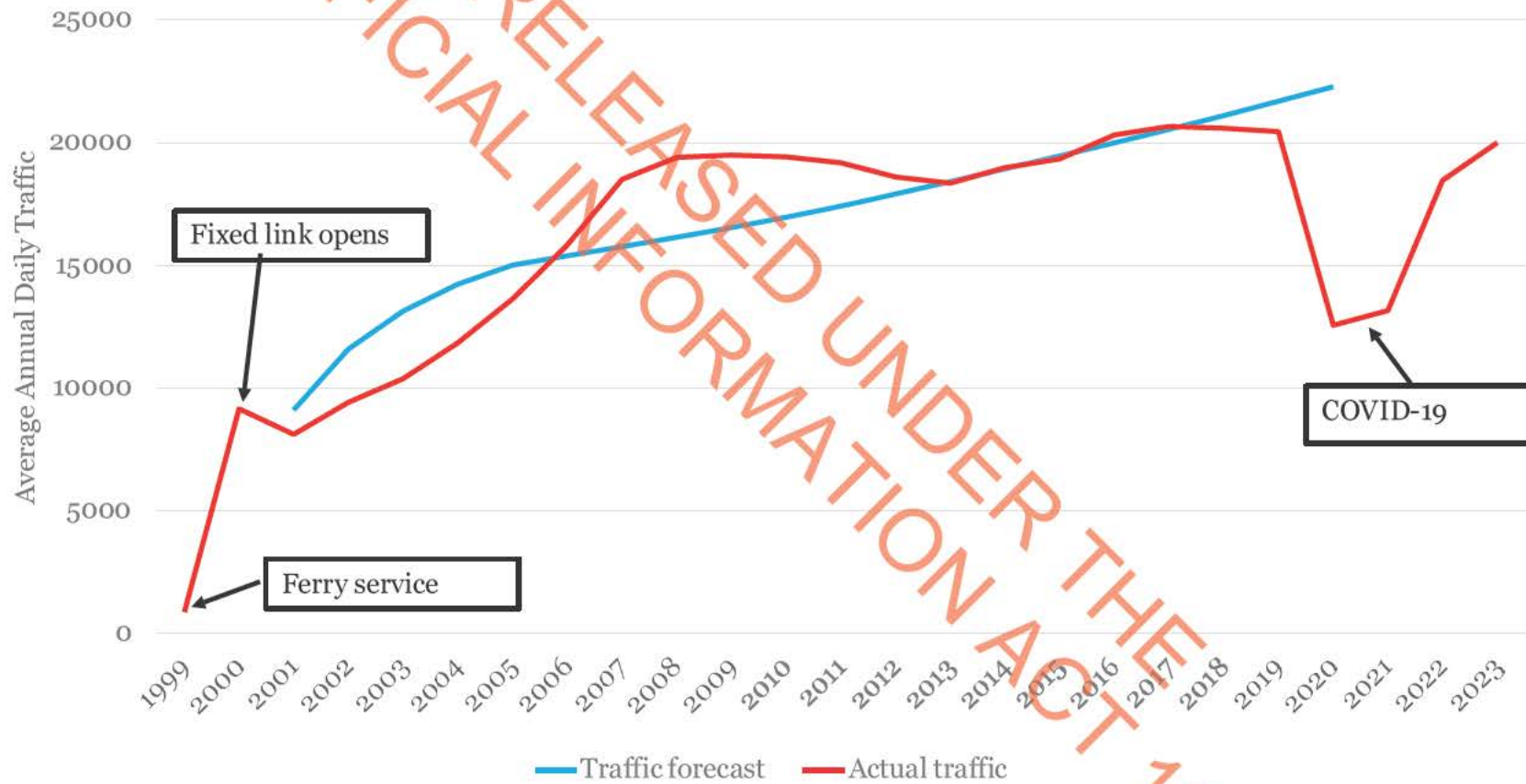
The Great Belt Fixed Link – Actual development in road traffic



The Øresund Fixed Link – Traffic forecast May 2000



The Øresund Fixed Link – Actual development in road traffic



ROAD USER CHARGES

Ireland

This section draws on the presentation to the delegation (see [INZ Delegation - Road User Charging](#)), the TII website and other sources.

In 1999 the Irish Government decided to adopt a PPP approach to fund public capital projects, with a strong focus in transport projects. Most PPP toll road concessions were entered into between 2003 and 2007, and are managed through Transport Infrastructure Ireland (TII), the state agency responsible for the state highway system.

Ireland runs a system of 10 toll roads, with two owned directly by TII and the eight being managed PPP toll road concessions. The toll roads have 11 distinct sections, as summarised in the table below.

Ireland : Toll Roads (some data requires verification)

Toll Road	Type	Tolled section length (km)	Average Daily vehicle Volume	Toll for PVs * (€)	Toll HGV * (€)	Opened	Concession length (years)
M1 (Gormanston to Monasterboice)	Concession	21	32,900	2.30	7.30	2003	30
M3 Clonee - Kells (Navan to Kells)	Concession	60		1.70	4.20	2010	45
M4 Kilcock - Enfield - Kinnegad	Concession	37		3.40	8.40	2005	30
N6 Galway - Ballinasloe	Concession	13.5		2.30	7.30	2009	30
M7/M8 Portlaoise - Castletown / Portlaoise - Cullahill	Concession	40	18,900	2.30	7.30	2010	30
N8 Rathcormac - Fermoy Bypass	Concession	17.5		2.30	7.30	2006	30
Dublin Tunnel	TII owns and manages	5.6	23,000	3.50 or 12.00	Exempt	2006	NA
Limerick Tunnel	Concession	0.675		2.30	7.30	2010	31
N25 Waterford City Bypass	Concession	23	14,000	2.30	7.30	2009	30
M50 eFlow (Barrier Free Tolling)	TII owns and manages	unclear	149,000	2.50 to 3.70	6.30 to 7.50	2008	35
The East Link Toll Bridge	Dublin City Council owned (from 2016)	Short!	17,500	2.20	6.80	1984	30

* Private Vehicles

** Heavy Good Vehicles (prices above are in all but two cases for gross vehicle weight exceeding 3,500 kilograms and having 4 or more axles). The exceptions are for the M50 eflow and East Link Toll Bridge

The notable features of the Irish tolling arrangements include:

- Tolloed roads have a wide range in traffic volumes, from a ~14,000 average daily throughput in the N25 Waterford City Bypass through to 145-150,000 daily throughput on the M50, the busiest state highway encircling Dublin.
- Some of the concessions appear to bundle toll PPPs and availability PPPs together– i.e. the concession holder finances, designs, builds, operates and maintains a larger section of road than just the tolloed section. This warrants further investigation, but may reflect the economies of scale achieved in both the construction and operation of the road.
- Most concessions start from the time the PPP concessions are signed, so there is often a lag of three to four years before the tolloed road is opened and revenues start flowing to the concession holder. Presumably, to incentivise the concession holder to expedite the design and construction stage of the project.
- TII states the concession contracts are currently treated as ‘off balance sheet’ with respect to government accounting, so long as the majority of the risks and rewards are borne by the private partner. In some concession contracts, however, TII appears to co-share revenue where traffic volumes exceed prescribed forecasts, and also appears to be obliged to meet revenue shortfalls when traffic volumes fall below specific thresholds.
- While concession holders have some capacity to set tariffs, the TII Board sets a maximum toll for each concession under a “byelaw”, and this appears to be adjusted in line with the consumer price index. During low inflation periods this attracts little public attention but in late 2022 there were significant hikes in toll tariffs due to the high inflationary environment, and this attracted public concern.
- The M50 eflow toll road has no barrier system and users are financially incentivised to adopt “toll tags” installed in their vehicles to allow revenue to be automatically collected. There are four certified eTag providers (see: <https://etoll.ie/irish-tag-companies/>) vehicle users are able to use eTags at any of Ireland’s eleven toll roads. All eTag providers offer pre-paid services, though one also offers an invoicing option. For the M50 private light vehicles with an eTag account pay €2.50 per journey, those with a “video account” pay €3.10, and those without a registered account have to pay €3.70 by 8 pm the following day.
- Dublin tunnel links the Port to the motorway system, and is primarily designed to serve heavy goods vehicles (HGVs) using the Port. Accordingly, HGVs above 3,500 kilos with four axles are exempt from toll charges, whereas light vehicles travelling during a peak period (Southbound 6-10 am, Northbound 4-7 pm) are charged €12. The off peak charge for light vehicles is €3.50.
- There are clear expectations set over asset quality when a concession ends. Prior to hand back to the public sector concession holders are required to upgrade the asset to a prescribed “residual life” of the road, which in most cases is a minimum of 10 years life before any structural strengthening to the road pavement and other core components is required.

Public toll revenues contribute to the operation and maintenance of the national road network. The state highway network (with an asset value of €31 billion in 2019) requires at least €600 million p.a. for asset renewal, operation and maintenance. This represents 2% of asset value. Of the €600 million p.a. required, ~€400m comes from general taxation, and €200m from the two public tolls and the revenue share TII receives from toll concession holders.

TII is turning its attention to the fiscal challenges arising from the expiry of the PPPs (most concessions expire between 2033 and 2037) and the general erosion of government revenue sourced from fuel excise, with taxes forecast to decline by €1 billion by 2030. TII has established Project BRUCE to commence work on the adoption of new Road User Charging tools to internalise the costs of transport use and stabilise government revenue. There are parallels with the work on the fleet wide transition to RUC being led by the Ministry, and we may want to establish and maintain contact with TII officials as each jurisdiction progresses its work.

Denmark

The road user arrangements in Denmark are of a different scale to Ireland (see [User Paid Infrastructure - Denmark](#)). Tolling arrangements apply, or will apply, to three key links:

- The Green Belt (**Storebæltsbroen**) – which combines 18.2 km of bridges and other structures – and links the island of Zealand to the island of Funen (there is a separate rail tunnel connecting the two islands) – a private vehicle will typically pay €37 per trip, though an €11 discount applies if they have an electronic device installed. It carries 37,200 vehicles per day.
- The 18 km dual rail/ road **Oresund Fixed Link** between Zealand and Sweden – a private vehicle pays €61 per trip, unless they are a frequent user in which case they can receive discounts through an annual subscription.
- The **Fehmarn Belt Fixed Link**, which is an underwater structure between Denmark and Germany under construction, and where tolls will be charged.

The notable features of these tolling arrangements include:

- Tolls are set in reference to ferry fares, as this is the primary alternative service option.
- Ferry services still operate and there is a mechanism in place to compensate them for adverse patronage/profitability impacts.
- The time savings from the links are significant, which supports the higher tolls.
- Sund & Bælt, the government owned company operating the toll links can secure debt at the sovereign rate, though the European Commission charges a margin as a State Aid discipline.
- Sund & Bælt also benefit from a state guarantee, but nonetheless is able to stay 'off balance sheet' with respect to government accounting because all its revenues are derived from tolls.

Australia meetings

Compass IOT

Compass IOT was founded in Australia in 2018, and provides software to collect telematics data on behalf of (64?) vehicle manufacturers. Out of Scope

Potential applications Compass IOT has identified for its data include:

Out of Scope

- revenue collection (to trigger when a vehicle has used a tolled road, provide a distance travelled figure for the purpose of RUC, and enabling different charges for different times of the day)

Out of Scope

s 9(2)(f)(iv)

s 9(2)(f)(iv)

s 9(2)(ba)(i)

the trial demonstrated that via Compass IOT systems it is possible to use differential pricing with variable charges per kilometre based on the type of road a vehicle is using (local/state/rural/toll) and time of day.

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Transport for NSW – strategy

Transport for NSW is accountable to the state government for all things transport, including transport planning, policy, project investigation, and delivery. It has around 30,000 staff and is responsible to three state Ministers (Minister for Transport, Minister for Roads, and Minister for Regional Transport and Roads).

Out of Scope

In considering any form of RUC, NSW has a particular problem in how it will fit in with toll roads, given the very high costs of tolls that Sydney's road users face.

Out of Scope

On toll roads, officials noted the significant level of tolling in Sydney as a key challenge for the ongoing management of the transport system. Toll roads were initially alluring for previous governments in that they provide an immediate revenue stream without any cost to government. Providing a concession for future tolling has enabled previous governments to effectively sell a guaranteed future revenue stream to a private provider (usually Transurban), using the proceeds from the sale to deliver other infrastructure projects. The projects delivered from tolling proceeds haven't always been transport ones.

The key challenge now with the existing toll roads (which is also the key thing that made them so valuable up front) is the ability for the operator to continue to increase tolls at the higher of CPI or 4%. This was particularly noticed over the last few years where inflation was very high, and over time is resulting in very high tolls. Because of the way in that the toll network developed (relatively organically based on infrastructure need at the time), there is now little consistency in different tolls for different roads. Any possibilities to reconsider toll rates to allow for factors such as better behaviour change incentives, consistency and fairness are extremely challenging due to the very high values of the concessions that are in place.

Transport for NSW – tolling

Tolling in NSW is predominantly (solely?) in Sydney, with 13 toll roads. The loose strategy for tolling has been that each tolled road should effectively pay for the construction of the next, although funding is sometimes used more broadly than for tolling.

s 9(2)(g)(i)

it is having a significant impact on road users. Individual trips can now cost \$50+, and there is still significant congestion. This has led to political responses, including a toll relief package, where the government is providing \$250m per year to reduce the tolling burden on road users. s 6(b)(i)

Transport for NSW is establishing a tolling branch, which will work closely with Treasury. Treasury is currently leading a review of tolling, which is taking a first principles look at:

- who pays
- how much does it cost
- how will what people are paying change over time
- what the current network looks like
- how can the tolling approach be reformed
- benefits of tolling
- individual contracts and the challenges of each

s 6(b)(i)

There have been particular challenges in building public support for tolling where there are no alternative public transport services. However, there are also some challenges in putting in place alternative transport options where tolling is already in place, because it can trigger a condition in the concession contracts that requires an additional payment to the operator if government action results in lower future demand forecasts.

Overall, officials acknowledged that tolling had enabled the network to develop. However, it has been in a patchwork and unplanned way, which has resulted in an unwieldy system that has a significant burden on road users. The cost of exiting contracts is too severe to be feasible.

Transurban

Transurban is an Australian-owned company that operates 22 toll roads in Australia (Melbourne, Sydney and Brisbane), and in North America (Washington and Montreal).

Transurban currently owns (or partially owns) a concession for 11 of Sydney's toll roads (all except for the Sydney Harbour Bridge and Tunnel, which are tolled by Transport for NSW). Their representatives told us that without their input, and the significant funding that has been generated via the concessions, the Sydney road network wouldn't be what it is.

Tolling in itself is very rarely sufficient to fully pay for roads. The M7 in Sydney is the only Transurban road that was able to be fully funded through tolls s 9(2)(g)(i). They also noted that the high cost of tunnels means they have an ongoing assumption that a tunnel's construction costs will never fully be met by users. Almost all of the roads that Transurban currently tolls are in major urban areas, resulting in higher traffic volumes and willingness to pay tolls. They are less willing to toll roads outside urban areas due to lower traffic volumes.

Out of Scope

In terms of PPPs, all but one of the roads that Transurban have been involved in have been 'demand based' only (where the benefit to the private operator is in being able to toll future users), rather than the availability model for the New Zealand PPPs (Transmission Gully and Puhoi to Warkworth, which both have annual payments of ~\$100m per year to the operator simply for the road being operating).

s 9(2)(b)(ii)

In relation to tolling, they noted that they have a high rate of compliance with minimal leakage. They are not considering shifting away from their current collection approach (e-tags and gantries) in the near future, and they were not able to provide any information on the costs of their tolling operations as a proportion of revenue collected.

Department of Transport and Planning (Victoria) – road pricing and tolling

Out of Scope

Victoria has two existing toll roads, which were both constructed as PPPs, with concessions granted for tolling. The \$25 billion North East Link is currently under construction, and will be a state-run toll, for which a specific state tolling company is being set up to administer. s 6(b)(i)

[REDACTED] Officials noted that their proposed system will be consistent with the existing systems, which is gantries with e-tags (RFID) and ANPR as backup. They expect to move towards a more modern ANPR-only system in 5-10 years. Officials noted that the PPPs, particularly the tolling concession, had been very profitable to the operators.

Out of Scope

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Te Tuhinga | Memorandum

To Paul O'Connell

From Tessa Ayson, Tim Herbert, Dan Jenkins, Matt Skinner

Copy to

Date 26 June 2024

For your Information

Delivery By email

Purpose

Tessa Ayson (Manager, Strategy), Tim Herbert (Manager, Investment), Dan Jenkins (Manager, National Transport Modelling), and Matt Skinner (Manager, Revenue) travelled to Australia from the 17th to the 21st of July 2024. This memo sets out key takeaways and reflections from our meetings.

Brief overview of the Australian transport system

1. States are generally responsible for funding, building and operating transport infrastructure and services. However, the Federal government also influences the system by: providing supplementary funding for major projects, setting national regulations and policies (e.g. vehicle standards), setting excises, identifying and co-funding National Highways, and managing and regulating aviation. It also established, and works closely with, Infrastructure Australia¹.
2. Councils generally manage local roads. They work closely with State governments.

Out of Scope

Tolling: Rachel Simpson – Executive Director Tolling Strategy & Implementation, Sahar Shahin – Director Tolling PMO, Samantha Brewer – Executive Director Infrastructure and Project Finance, Alina Hummel – Director Infrastructure and Project Finance

18. When we met, the tolling team were just wrapping up a significant, strategic (12+ month) review of the state tolling system.
19. NSW, and especially Sydney, relies heavily on tolling (13 roads currently). Tolling is monopolistic by design and has proved enticing for governments historically: selling off a tolling concession provides an immediate revenue stream without any upfront cost. The sale of tolling rights (generally to Transurban) has allowed the government to fund other (not necessarily transport) infrastructure across the state.
20. The state is now facing several challenges due to how concessions were structured and sold, which was generally via pre-agreed toll prices and escalation rates (usually the higher of 4% or CPI). Issues noted include high prices, price inconsistencies across the network, and no levers for the government to intervene or set rates that better reflect factors such as the presence of alternative routes, fairness, and consistency.
21. § 6(b)(i)
22. § 9(2)(g)(i) Individual trips can cost more than \$50, and congestion is still a significant issue. Tolling charges are high enough that the government now provides about several hundred million dollars a year in toll relief (toll charges are capped at \$60 per week and the government will refund any amount in excess of that, up to \$400 per week). Officials told us there is interest in introducing more nuance to toll relief (for example, providing more relief to those who don't have suitable non-toll alternatives like public transport), but they are finding this difficult to implement.
23. Tolls do not appear to be particularly effective in driving mode shift, i.e. they do not appear to push people onto public transport. This is because most people using tolls tend to be travelling for a specific purpose (like an appointment) rather than a predictable, frequent trip (like a commute).
24. Officials noted that having a free alternative to tolling is critical, even if it simply entails adding a bus route to the toll road. This can be helpful for messaging purposes as well (i.e. "tolling can help us to build a rapid bus network"). § 6(b)(i)
25. Toll roads do appear to have been effective at lessening congestion (on tolled routes), though several people noted that free alternatives are becoming increasingly congested. Sydney has also tried and failed to establish congestion charging.
26. The different states have very different approaches to – and views on – tolling. § 9(2)(g)(i)

Queensland is less mature on tolling (though it still has seven toll roads, in comparison to NZ's three).

s 9(2)(g)(i)

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Transurban, Sydney

Raymond Golzar – General Manager NSW, Mark Alexander, Grace Ashby, and Calvin Zhang – New Markets team

34. Transurban is an Australian-owned company that operates 22 toll roads in Australia (Melbourne, Sydney and Brisbane), and in North America (Washington and Montreal).

35. Transurban currently owns or partially owns a concession for 11 of Sydney's 13 toll roads (the remaining two, the Sydney Harbour Bridge and Tunnel, are tolled by TfNSW). Transurban told us that without the significant funding that has been generated via the concessions, the Sydney road network would not be what it is. This sentiment is broadly consistent with officials' views.
36. Almost all the roads that Transurban tolls are in major urban areas, due to higher traffic volumes and willingness to pay tolls. They are less willing to toll roads outside urban areas. Tolling alone is very rarely sufficient to fully fund roads, especially if they include tunnels: Sydney's M7 is the only Transurban road that was fully toll-funded.
37. All but one of the roads that Transurban tolls are 'demand-based' (operators are paid for each trip taken on the road), as opposed to 'availability-based' (operators paid for simply operating the road, regardless of traffic volumes). NZ's two current toll roads are availability-based. Each model has its own pros and cons and it was the team's view that choices taken largely depend on the government's preferences.
38. The team noted that Transurban has a reasonably high rate of compliance, i.e. minimal leakage, and that they are not considering shifting away from their current collection approach (e-tags and gantries) any time soon.

Out of Scope

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⁶ Some titles have been shortened or simplified slightly.

Out of Scope

Department of Transport and Planning, Melbourne

Out of Scope

Joe Monforte – Executive Director Transport System Reform

48.

Out of Scope

49.

50. Victoria has two toll roads, which were both constructed using PPPs. Officials noted that both PPPs and tolling concessions have proved profitable for operators. A third, \$25B-dollar tolled road is currently under construction. A state tolling company is being set up to administer it.

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Out of Scope