Office of the Minister of Transport

Chair
Cabinet

REPLACEMENT OF REGIONAL FUEL TAX WITH INCREASES TO FUEL EXCISE DUTY AND ROAD USER CHARGES

Proposal

1. This paper seeks Cabinet's agreement to repealing regional fuel tax. The paper also proposes a compensating increase in fuel excise duty and an equivalent increase in road user charges. This will maintain the total income from road users for land transport at the same level as that which would have been raised from the Auckland regional fuel tax.

2. The proposed compensating increases in fuel excise duty and road user charges will be applied to the National Land Transport Fund and allocated to State highway construction. The government will then reduce its infrastructure commitment for new road construction announced before the election by the same amount.

3. The accompanying paper *Confirmation of the Commitment to Transport Infrastructure* proposes that the government confirms its pre-election commitment to Auckland passenger rail electrification and rolling stock that was to be funded from regional fuel tax. The detail of that commitment will be determined following the report back on rail ownership and funding scheduled for 1 July 2009.

4. This will also allow the report of the Royal Commission on Auckland Governance to be considered.

5. The effect of the above change is neutral, but necessary for ensuring the integrity of the commitment that road taxes continue to be invested back into the roading system, and allows for the Crown's rail investments to be held in one Crown entity – KiwiRail, subject to a further report back about ownership and funding of Auckland rail electrification and rolling stock.

6. This is the second of four associated Cabinet papers relating to land transport investment.

Executive summary

7. Regional fuel tax was developed by the previous government as a means of paying for the Auckland rail electrification project in a way that could be seen as regionally equitable. Regional fuel tax was subsequently made available to all regions. A regional fuel tax can

raise up to 10 cents per litre of petrol and diesel for expenditure on nominated capital projects that would not otherwise be funded within the timeframe favoured by the region, provided roading expenditure does not exceed 5 cents per litre.

8. An Auckland regional fuel tax scheme has been approved providing for a 2 cent per litre tax from 1 July 2009, a 5 cent per litre tax from 1 July 2010 and a 9.5 cent per litre tax from 1 July 2011. Revenue from this tax would be used to fund almost $750 million in public transport infrastructure improvements in Auckland, $150 million toward the cost of Penlink and to meet the financing costs of Crown borrowing for the $500 million allocated for electrification of the Auckland passenger rail network.

9. Other regions are known to be investigating a regional fuel tax of up to 5 cents per litre primarily to fund the cost of State highway projects.

10. Regional fuel tax, however, imposes significant new compliance costs on non-transport users of transport fuels and would lead to a number of boundary issues that could distort fuel markets, including price spreading and avoidance.

11. I recommend that:

    11.1. regional fuel tax be repealed and the Land Transport Management (Regional Fuel Tax – Auckland Region) Order 2008 be revoked;

    11.2. there be a phased increase in fuel excise duty and an equivalent increase in road user charges primarily for increased State highway expenditure as detailed in the *Amending the Government Policy Statement on Land Transport Funding 2009/10 – 2018/19* Cabinet paper.

12. The paper seeks Cabinet's agreement to a co-ordinated approach to announcing both the repeal of regional fuel tax and changes to the Government Policy Statement on Land Transport Funding (GPS).

Background

The regional fuel tax framework

13. Regional fuel tax was developed by the previous government in early 2007 to provide a 'regionally equitable' way of paying for the financing cost of the $1 billion rail electrification element of the wider Auckland passenger rail project proposed by the Auckland Regional Council. In late 2006 the 'below track' infrastructure improvements were expected to cost New Zealand Railways Corporation about $500 million, while 'above track' electric rolling stock was expected to cost the Auckland Regional Council another $500 million. These figures are in addition to

$600 million of other improvements underway to the existing Auckland rail network and system operating costs.

14. Regional fuel tax was ultimately made available to other regions under empowering legislation passed in July 2008. The Auckland regional fuel tax scheme was approved by Order in Council in October 2008.

15. Regional fuel tax is provided for under the Land Transport Management Act 2003 to enable each region to raise a regional fuel tax of up to 10 cents per litre on petrol and diesel, provided the roading expenditure component does not exceed 5 cents per litre and that any tax proposed before 2011 must be phased-in.

16. The tax was supported by Local Government New Zealand provided price spreading did not occur. It was opposed by Federated Farmers because the compliance costs fall on farmers and other non-transport users rather than the transport sector. The Road Transport Forum opposed the creation of two tax systems on heavy vehicles and now favours a single diesel tax.

17. Each region can develop a regional fuel tax scheme for assessment by the Ministers of Finance and Transport (Ministers) and subsequent approval by Order in Council. Each region must identify the tax rates that are required and the projects to be funded by the tax. In Auckland, the regional fuel tax regime is different. Ministers can nominate up to 5 cents per litre worth of projects, reflecting the anticipated 50/50 split of rail electrification costs between the Crown and the Auckland Regional Council.

Regional fuel tax projects

18. Approved Auckland regional fuel tax projects and those projects known to have been identified by other regions as potential regional fuel tax projects are summarised in Appendix 1. The Auckland regional fuel tax projects are at a more advanced stage of development as they are approved by Order in Council. Regional fuel tax proposals outside Auckland are at a very early stage of development and in all cases there has been no approach to government to formally discuss regional fuel tax scheme proposals

19. The Auckland regional fuel tax scheme provides for a 2 cent per litre tax from 1 July 2009, a 5 cent per litre tax from 1 July 2010 and a 9.5 cent per litre tax from 1 July 2011. Each 1 cent of Auckland regional fuel tax is expected to raise about $12 million in annual revenue, which would pay for $150 million in debt-financed capital works over 30 years. The total amount to have been raised by the Auckland regional fuel tax by 30 June 2012 was expected to have been $198 million.

20. The Auckland regional fuel tax scheme commits the revenue from the Auckland tax to funding a bundle of projects, with rail electrification making up the majority. The Auckland regional fuel tax scheme projects consist of:

20.1. The $1 billion rail electrification project to be implemented by the Auckland Regional Council and the New Zealand Railways Corporation, (with regional fuel tax revenue to fund the interest costs of the New Zealand Railways Corporation capital investment only).

20.2. Provision of $100 million toward additional diesel rolling stock, $80 million for new and improved stations, $40 million towards an integrated ticketing system for the Auckland region, $35 million for ferry wharf improvements and $5.5 million for real time information for bus and ferry services to be implemented by the Auckland Regional Council.

20.3. It also allocates sufficient funds to finance $150 million toward the cost of the Penlink roading project proposed by the Rodney District Council and to be built by the New Zealand Transport Agency.

21. Other regions are known to be investigating a regional fuel tax. To date, three other regions are known to be considering a regional fuel tax of up to 5 cents per litre that could collectively contribute around $580 million toward $1.8 billion in primarily State highway projects. However, regional fuel tax would be insufficient on its own to fully fund any of these projects.

22. It seems likely that over time other regions will look at proposing their own regional fuel taxes up to the 5 cent per litre limit on roading expenditure.

Urgency

23. Early decisions on the future of regional fuel tax are needed because:

23.1. the Auckland Regional Transport Authority has started the procurement process for electric rolling stock with a contract expected to be signed by November 2009 with a view to the delivery of the first units by May 2011 and the final units by July 2013;

23.2. the New Zealand Railways Corporation is understood to have spent $11 million of the below-track electrification appropriation, is forecast to spend $40 million by June 2009 and a letter of intent for a $100 million signalling contract has been signed, with the full contract likely to be confirmed before the end of February 2009;

23.3. the New Zealand Transport Agency and fuel companies are in the process of designing and implementing administrative and IT systems to implement regional fuel tax; and

23.4. other regions are in the process of developing their own regional fuel tax.

Revoking regional fuel tax

Regional fuel tax issues

24. If regional fuel tax evolves into a 9.5 cent tax in Auckland and a 5 cent tax in most other regions as seems likely over time, it represents a relatively expensive way to generate revenue. Any regional differentials in fuel tax rates also potentially create a range of fuel market distortions at the boundaries.

25. Transport officials have identified boundary pressures that could erode regional equity and distort operation of the fuel market. Boundary pressures drew a strong reaction from non-transport businesses when the legislation was considered at Select Committee. These and other issues are outlined below.

    25.1. Price spreading, which would erode regional equity as the cost of any Auckland tax could be spread across the country. When a regional petrol tax was introduced in the main urban centres in the early 1990s to transfer public transport costs from the National Land Transport Fund to urban regions, the fuel companies spread the cost of the petrol tax across their national networks.

    25.2. Avoidance would be relatively easy for some classes of transport operator. Those who regularly pass through other regions or have the capacity to store fuel in bulk in Auckland before end-use will be able to source their fuel from lower-tax regions and avoid the tax. Fuel suppliers just inside the regional fuel tax boundary would be disadvantaged while those just outside could make additional profits.

    25.3. Fuel market distortions seem likely where transport taxes would be over 20 percent higher in the one third of the fuel market represented by Auckland. In the absence of price spreading or the adoption of a similar regional fuel tax by neighbouring regions, there may well be scope for a general shift in the fuel price outside Auckland with associated windfall profits.

    25.4. Diesel transport users in Auckland (and any other region that introduces a regional fuel tax) will be faced with paying both road user charges and a regional diesel tax.

25.5. Regional fuel tax compliance costs fall on non-transport users of transport fuels, particularly the farming, forestry, fishing, manufacturing and construction industries. These costs would apply to tens of thousands of businesses in comparison to the 1200 transport operators subject to the road user charges system or the 10,500 businesses that seek fuel excise duty refunds. All these businesses would need to apply for regional fuel tax refunds.

25.6. Regional fuel tax collection costs are significant in comparison to revenue sources such as fuel excise duty and road user charges.

26. I therefore recommend that regional fuel tax be repealed as soon as possible.

Revocation process

27. Two separate steps will need to be taken to repeal regional fuel tax. The Order in Council approving the Auckland regional fuel tax scheme will need to be revoked and the empowering legislation repealed.

27.1. The revocation of the Land Transport Management (Regional Fuel Tax – Auckland Region) Order 2008 can be done at any time by Order in Council. The Governor-General will need to approve a revocation order made on the recommendation of the responsible Ministers.

27.2. Revocation of the Auckland Order in Council and the publicity around that decision would effectively stop work by other regions on their own regional fuel tax schemes. I will be considering amendments to the Land Transport Management Act 2003 for consideration later this year. The amendments will provide an opportunity to repeal the regional fuel tax empowering legislation as part of a wider legislative programme.

28. I recommend that the Auckland regional fuel tax scheme be revoked by Order in Council in conjunction with any decisions about replacing the forgone revenues to provide certainty to the Auckland region regarding the rail electrification project.

Replacing expected regional fuel tax revenue

29. Regional fuel tax has created a public expectation of future tax and expenditure increases. Any proposals to repeal regional fuel tax should be combined with decisions on how the forgone revenue will be replaced.

30. Any replacement funding arrangement needs to address both the emerging regional approach to regional fuel tax and the particular

circumstances in Auckland where a specific package of projects was approved by the previous government.

31. In the *Confirmation of the Commitment to Transport Infrastructure* Cabinet paper I seek Cabinet's agreement to:

31.1. confirming the government's commitment to Auckland passenger rail electrification and rolling stock that was to be funded from regional fuel tax, with the detail of that funding to be determined as part of the report back to Cabinet on rail ownership and funding scheduled for 1 July 2009;

31.2. committing $258 million to fund Wellington rail infrastructure improvements in 2009/10 and 2010/11 that are currently to be funded from the National Land Transport Fund.

32. This will leave $1.05 billion available for allocation to transport infrastructure.

33. The direct Crown funding of Wellington rail infrastructure improvements will also be offset by increases in State highway construction within the National Land Transport Fund.

34. This will provide an opportunity to establish a clear separation between National Land Transport Fund expenditure and rail projects and move toward a more business-like footing where capital projects will be funded from the New Zealand Railways Corporation business revenues and company or Crown debt, or shareholder equity injections. Road user operating funding such as passenger transport subsidies will be available from the New Zealand Transport Agency where clear benefits to road users (e.g. less congestion) have been identified.

35. These proposals also ensure that more of the National Land Transport Fund will be invested directly into roading infrastructure, and this will be supported by road users who pay into the fund. Taken together with the other changes in the *Amending the Government Policy Statement on Land Transport Funding 2009/10 – 2018/19* and the *Confirmation of the Commitment to Transport Infrastructure* Cabinet papers, the overall amount available to invest in State highways infrastructure will increase significantly. This will likely address any concerns raised by the regions about the removal of regional fuel tax as an additional funding tool.

Proposed increases to fuel excise duty and road user charges

36. I propose increases to fuel excise duty and road user charges to support the GPS expenditure targets set out in the *Amending the Government Policy Statement on Land Transport Funding 2009/10 – 2018/19* Cabinet paper. I also propose to replace Crown funding on roading infrastructure to fund rail investment as detailed in the associated *Confirmation of the Crown Commitment to Transport Infrastructure* Cabinet paper.

37. The changes set out in Table 1 below are expressed as average changes to fuel excise duty and road user charges. Road user charges are set on vehicle type, weight and distance travelled. In this paper, changes to road user charges are expressed as equivalent cent per litre changes in fuel excise duty.

Table 1

Change	1 October 2009	1 October 2010	1 July 2011
Replace Auckland regional fuel tax	1.5	1.5	-
Annual price movement adjustment	1.5	1.5	1.5
Total cents per litre	**3.0**	**3.0**	**1.5**

38. The revenue impacts of the above changes are shown in the Table 2 below.

Table 2

Change	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	6 Year Total
Replace Auckland regional fuel tax	$47.25m	$110.25m	$126m	$126m	$126m	$126m	$661.5m
Annual price movement adjustment	$47.25m	$110.25m	$189m	$189m	$189m	$189m	$913.5m
Total	**$94.5m**	**$220.5m**	**$315m**	**$315m**	**$315m**	**$315m**	**$1.575b**

39. The revenue assumed in setting GPS expenditure targets incorporates the forecast impact of a previously approved annual adjustment to charging rates to reflect price movements. The policies and their revenue impacts are described below.

Replacement of Regional Fuel Tax with increases in fuel excise duty and road user charges

40. To replace directly the revenue expected from regional fuel tax with equivalent increases in fuel excise duty and road user charges, I propose increases to fuel excise duty and road user charges of one and a half cents per litre in October 2009 and again in October 2010. This is forecast to increase revenue collected by fuel excise duty and road user charges in the period 2009/10 to 2014/15 by approximately $661 million ($126 million annually from 2010/11), slightly more than offsetting the lost Auckland regional fuel tax revenue of approximately $540 million over the same period ($114 million dollars annually from 2010/11).

Annual price movements adjustment

41. On 23 June 2008 the Cabinet Business Committee agreed that forecast revenue into the National Land Transport Fund for the first three years of the GPS would be increased by the equivalent of indexing fuel excise duty and road user charges by changes in the CPI [CBC Min (08) 18/28 refers]. The exact changes to charging levels were to be confirmed each year but were assumed at 1.5 cents per year for the first three years of the GPS.

Forecast Revenue

42. The Ministry of Transport has recently completed a forecast of National Land Transport Fund transport-related revenue. The Treasury has also indicated that macroeconomic conditions are continuing to weaken. As a result, the Ministry of Transport will reforecast the National Land Transport Fund transport-related revenue to confirm the rate of growth in revenue. This reforecast will be undertaken in March 2009.

43. A reduction in revenue as a result of reduced transport activity would impact on the amount of revenue assumed in setting the expenditure targets outlined in the associated paper on the GPS *Amending the Government Policy Statement on Land Transport Funding 2009/10 – 2018/19* Cabinet paper. I believe that it would be inappropriate to seek further increases in fuel excise duty and road user charges beyond those outlined above. Therefore any shortfall in National Land Transport Fund revenues will be addressed by reducing expenditure commitments within the GPS.

Process for implementing proposed increases to charging rates

44. I propose that final changes to fuel excise duty and road user charges be given effect on 1 October 2009. This will allow time to consider the findings of the Road User Charges Review, which the current GPS states will be taken account of in any changes to fuel excise duty and road user charges. The independent Road User Charges Review was established by the previous government and is due to report to the Minister of Transport by 31 March 2009.

45. Increasing charging levels requires changes to technical road user charges regulations. Because of the detail of the required changes, a significant period of time is necessary to give effect to the changes. 1 October is the earliest possible date for changes if we allow time to consider the findings of the Road User Charges Review.

46. A decision to proceed with changes to road user charges without considering the findings of the Road User Charges Review presents two major risks.

    46.1. *Misalignment of road user charges and fuel excise duty rates.* The proposed changes to road user charges could be out of alignment with decisions the government may make in response to the recommendations of the Road User Charges Review Group. Any change in the interim will affect the distribution of costs between different classes of vehicle.

46.2. *Stakeholder relations.* One of the main submissions of the Road Transport Forum was that there should be greater consultation on the setting of road user charges rates. An increase to charging rates could be seen as provocative if it followed the existing model without taking into account the recommendations of the Road User Charges Review Group, or providing an opportunity for users to have input to the rate-setting process.

Consultation

47. The Treasury and the Department of Internal Affairs have been consulted on this paper. The Department of the Prime Minister and Cabinet was informed.

Financial implications

48. This paper proposes the revocation of the Land Transport Management (Regional Fuel Tax Scheme – Auckland Region) Order 2008 and increases to fuel excise duty and road user charges.

Legislative implications

49. This paper proposes the revocation of the Land Transport Management (Regional Fuel Tax Scheme – Auckland Region) Order 2008 and foreshadows the eventual repeal of the regional fuel tax provisions in the Land Transport Management Act 2003.

Human rights, gender and disability implications

50. There are no human rights, gender or disability implications associated with the policy proposals outlined in this paper.

Regulatory impact analysis

51. Due to the tight timeframes for providing advice, the paper has not attempted to meet the Regulatory Impact Analysis (RIA) requirements. The Regulatory Impact Analysis Team (RIAT) considers that this proposal is significant and therefore we are obliged to assess the adequacy of the RIA and Regulatory Impact Statement (RIS). However, a proper RIA has not been undertaken and no RIS has been prepared. As a result, the proposal does not meet the government's RIA requirements and in RIAT's view the current Cabinet paper does not provide sufficient information for Cabinet to take a fully informed decision on the proposed regulatory change and its flow-on implications.

Communications

52. The paper seeks your agreement to a joint communications strategy led by the Prime Minister and the Minister of Transport announcing the proposals set out this in this suite of papers.

Recommendations

53. I recommended that Cabinet:

Background

1. **note** that the Land Transport Management (Regional Fuel Tax Scheme – Auckland Region) Order 2008 was made on 6 October 2008 approving an Auckland regional fuel tax of 2 cents per litre from 1 July 2009, 5 cents per litre from 1 July 2010 and 9.5 cents per litre from 1 July 2011 until 30 June 2039 to meet the majority of the costs of Auckland regional fuel tax scheme projects;

2. **note** that other regions are considering regional fuel taxes of up to 5 cents per litre mainly to fund additional State highway works and that, compared with the national fuel excise duty and road user charges system, regional fuel tax is a comparatively expensive way to generate revenue, with a range of boundary issues, compliance costs for non-transport businesses that use petrol and particularly diesel and administration costs;

Proposals

3. **note** the Ministers of Finance and Transport's proposal to recommend that the Land Transport Management (Regional Fuel Tax – Auckland Region) Order 2008 be revoked as soon as possible;

4. **agree** that the regional fuel tax empowering legislation be repealed at the earliest opportunity;

5. **agree** to the changes to fuel excise duty and road user charges in the following table (expressed in cents per litre) to support the GPS expenditure targets set out in the *Amending the Government Policy Statement on Land Transport Funding 2009/10 – 2018/19* Cabinet paper, and replace Crown funding on roading infrastructure being used to fund rail investment as detailed in the associated *Confirmation of the Commitment to Transport Infrastructure* Cabinet paper;

Change	1 October 2009	1 October 2010	1 July 2011
Total cents per litre	3.0	3.0	1.5

6. **note** that the final changes to fuel excise duty and road user charges will be given effect on 1 October 2009 and will take into account the results of the Road User Charges Review;

7. **note** that *Confirmation of the Commitment to Transport Infrastructure* Cabinet paper:

    7.1. confirms that $1.05 billion remains unallocated from the Crown allocation to transport infrastructure signalled during the election; and

    7.2. seeks the government's commitment to Auckland passenger rail electrification and rolling stock that was to be funded from regional fuel tax,

    7.3. directs the Minister of Transport to report back on the ownership and funding of Auckland rail by 1 July 2009, specifically taking into account the report of the Royal Commission on Auckland Governance;

8. **invite** the Minister of Transport to issue drafting instructions to Parliamentary Counsel Office to draft amendments to legislation to give effect to the above decisions and any consequential, savings or transitional provisions as necessary; and

9. **agree** to the announcement of these proposals in a joint communication strategy led by the Prime Minister and the Minister Transport.

Steven Joyce
Minister of Transport

Dated:________________________

Appendix 1: Current and proposed regional fuel tax projects

54. The following table summarises the approved Auckland regional fuel tax projects and projects known to have been identified by other regions to date as potential regional fuel tax projects. It includes the most current cost and cost/benefit estimates and the revenue implications for each project.

Project	Project agency	Earliest start	Project capital	Regional fuel tax capital	BCR[1]	Regional cents per litre	National cents per litre
Auckland			$1.54b	$1.37b		9.5	2.15
Rail electrification	ARC	2009	$500m	$500m	Less than 1:1	7	1.5
Below-track rail electrification	ONTRACK	2009	$500m	Interest on $500m			
Non-electric rolling stock	ARC	2011	$150m	$100m		0.5	0.2
New and improved rail stations	ARC	2011	$100m	$78m		0.5	0.1
Integrated ticketing	ARC	2011	$110m	$40m	3:1	0.5	0.05
Ferry wharf upgrades		2011			Not known		
Penlink	NZTA	2011	$180m	$150m	2:1	1	0.3
Other regions			$3b	$580m			1.1
Canterbury – TRIP Southern motorway extension and other roading projects	NZTA	2009	$500m ($244m in potential 'C" funding)	$160m	2.4:1	5	0.3
Bay of Plenty – Tauranga Eastern Motorway	NZTA	2009	$500m ($100m tolls)	$200m	2.4:1	5	0.4
Wellington – Levin to Wellington, including Transmission Gully	NZTA	2011	$2b ($400m in additional 'C' funding)	$220m	Less than 1:1	5	0.4
Total			$2.34b	$1.96b			3.2

Auckland regional fuel tax projects

(a) the above-track rail electrification project includes—

(i) thirty-five four car electric multiple units;
(ii) the development of a long term stabling and maintenance depot;
(iii) additional infrastructure and rolling stock as required;

[1] This table uses a common BCR based on a 10 percent discount rate over 25 years. The BCRs have not yet been revised to apply the current percent discount rate (except for the Waterview Connection, which is based on the 8 percent discount rate). The Auckland rail electrification projects were evaluated and reported to Ministers for RFT purposes based on a 40 year evaluation period which took into account additional benefits.

(iv) contingency and project management costs.

(b) the non-electric rolling stock project includes—

(i) rebuilt carriage trains;
(ii) rolling stock capital renewals;
(iii) overrun protection on train equipment;
(iv) contingency and project management costs.

(c) the rail system upgrade project, which includes—

(i) station works at Newmarket railway station, Kingsland, Morningside, Parnell and New Lynn;
(ii) temporary platforms and permanent stations at Helensville, Waimauku and Huapai;
(iii) a Manukau rail link station and above track works;
(iv) stations and above track works on the Onehunga Line;
(v) a real time passenger information system for rail;
(vii) contingency and project management costs;

(d) the bus, ferry, and multimodal infrastructure project which includes—

(i) upgrades to Bayswater, Beach Haven, Downtown Auckland, Half Moon Bay, Hobsonville, Birkenhead, Stanley Bay, and West Harbour;
ii) upgrade to access at Gulf Harbour ferry terminal;
(iii) smart card integrated ticketing;
(iv) a real time passenger information system for bus and ferry services;
(v) contingency and project management costs.

Regional fuel tax projects in other regions

Canterbury: In November 2007 the Canterbury region sought $488 million of additional funding toward a package of transport measures it considered would not be funded through the National Land Transport Fund in the timeframe favoured by the region. The previous government agreed to fund 50 percent of the total cost of the package ($244 million) with $33.5 million appropriated in budget 07/08 for the first four years and indicative funding for the remainder of the project to be evaluated for the 2011/2012 budget round. Officials advise that the Canterbury region was considering raising the remaining 50 percent from a combination of a 10-year regional fuel tax at 5 cents per litre covering $160 million in Capex, with the balance of funds from a $60 million local contribution.

Bay of Plenty: In addition to previous Crown contributions to the Bay of Plenty, the region is looking to proceed with the $500 million Eastern Motorway. Officials advise that the region is tentatively looking at a combination of $200 million in regional fuel tax funding from a 5 cent tax to be applied over 30 years, an "R" funding contribution of around $200 million and a contribution from tolling of $100m. I understand the work on tolling is at a very preliminary stage and it is not clear whether tolling will be a viable funding source.

Wellington: The Levin to Wellington project is currently thought to be in the order of $2 billion. In 2008 the previous government indicated that it would consider funding $400 million toward the cost of the project. A 5 cent per litre regional fuel tax (the maximum that can be allocated to roading) is estimated to raise $15 -17.5 million, which would enable borrowing of $190 - $220 million over a 30-year period. This would leave a funding gap of $1.4 billion.