NTT Tower
Level 13, 157 Lambton Quay
Wellington 6011
New Zealand

Email: info@infrastructure.org.nz

Land Transport Management (Time of Use Charging) Amendment Bill Submission

1. Introduction

1.1 Infrastructure New Zealand (INZ) welcomes the opportunity to submit to the Transport and Infrastructure Committee on the Land Transport Management (Time of Use Charging) Amendment Bill (the Bill).

1.2 INZ is New Zealand's membership organisation for the infrastructure sector. We promote best practice in national infrastructure development through research, advocacy, and public and private sector collaboration. Our 150 member organisations come from diverse sectors across New Zealand and include infrastructure service providers, investors, operators, and owners.

1.3 This submission represents the views of Infrastructure New Zealand as a collective whole and may not necessarily represent the views of individual member organisations. We have also encouraged our members to make their own submissions raising those issues specific to their areas of interest/ concern or expertise.

2. General Comments

2.1 INZ welcomes the introduction of this Bill which logically follows on from the findings of the Parliamentary Select Committee Inquiry and the study on Auckland congestion in The Congestion Question. For decades now, there has been discussions and many investigations into potential road pricing / congestion charging schemes across several cities in Aotearoa New Zealand. INZ is pleased to see this next step being taken to develop the regulatory framework for a congestion / road pricing scheme.

2.2 The recently published *Auckland's Cost of Congestion* white paper that found congestion will cost Auckland $2.6 billion per year by 2026. The reality is that the citizens and businesses of our largest city are **already paying a significant cost** daily in terms of large time delays, wasted fuel use, adverse environmental effects, as well as enduring frustration and stress due to navigating congested travel conditions and missing meetings and limiting business transactions.

2.3 Congestion management is critical to unlocking New Zealand's urban productivity, environmental goals, and liveability. Time of use charging is one tool among many to achieve these outcomes, but it must be carefully designed and fairly implemented to succeed.

2.4 Congestion charging is a common feature of well-functioning major urban transport networks overseas. We need to take these steps to enshrine in legislation a congestion charging scheme for Auckland (and our New Zealand cities, where appropriate) if we are to unlock the productivity potential.

2.5 **INZ generally supports** this enabling legislative framework for implementing a time of use charging scheme which may be initiated by any local authority. We support the stated purpose of a time of use charging scheme to improve traffic flow in order to improve network productivity.

2.6 We note that internationally scheme have further developed and been tweaked following their initial introduction and we would expect the same approach to be taken in New Zealand as settings are fine tuned for our local circumstances. We support the pragmatic approach taken with an Order in Council process being available to provide some flexibility to make changes to the scheme.

2.7 While the Bill is intended to reduce peak-time congestion and improve network efficiency, several significant concerns have been raised regarding its design and potential impacts. Congestion charging has been endorsed as a demand management tool by parties across the political spectrum and INZ hopes that the Government's Time of Use Charging Bill receives broad support, albeit with some amendments to improve its workability, as it progresses through Parliament.

3. Specific Comments

3.1 The following sections identifies the main areas of support for the legislation as well as key amendments that INZ recommends to the Bill. Please also refer to Appendix 1 Table of Recommendations for a more comprehensive list of detailed changes,

Supported Provisions

s65B Purpose of time of use charging schemes

3.2 **INZ supports** the Bill proposes that *the purpose of a time of use charging scheme is to improve traffic flow in order to improve network productivity*. The generation of revenue is merely a by-product of the scheme. The primary purpose as a demand management tool rather than purely a revenue raising scheme recognises the failures of some scheme internationally and puts the appropriate emphasis on the reduction and management of congestion.

3.3 Being clear about the objectives of a scheme should assist scheme design especially when working through the inevitable trade-offs. However, while the overall purpose is supported, we also think it should be balanced against ensuring the transport network continues to operate in an effective, efficient, and safe manner as per section 3 purpose of the Land Transport Management Act.

Recommendation: Amend s65B to state *The purpose of a time of use charging scheme is to improve traffic flow in order to improve network productivity in a manner that contributes to an effective, efficient, and safe land transport system in the public interest.*

s65ZG Back office and operating technology

3.4 INZ supports some key aspects of the proposed framework. New Zealand is a small country, and it makes sense to have some national consistency for billing and revenue collection. Back-office technology and operations are expensive.

3.5 The New Zealand Transport Agency (NZTA) already owns and operates the back-office technology system for all tolling in New Zealand, and the soon to be operating public transport National Ticketing system. Recent upgrades to future proof these systems have added capability for other potential road pricing operations such as a time of use scheme. Consequently, INZ supports the New Zealand Transport Agency (NZTA) running the back-office system by collecting charges and conducting billing under a Time of Use Charging scheme.

3.6 NZTA's existing a single nationwide customer portal, currently used for the tolling schemes should be able to be utilised for congestion scheme operations also and help achieve some efficiencies with economies of scale.

3.7 Time of Use Charging technology must be run as efficiently as possible to maximise value for money for customers and ensure any scheme costs are kept to a minimum. INZ supports the regular benchmarking of NZTA services against international congestion charging systems to assess effectiveness and value for money. The technology must also be able to accommodate the variations of the different local time of use charging schemes and reflect the local conditions and parameters.

Recommendation: Support s65ZG.

s65H Order in Council Provisions (Secondary legislation relating to time of use charging scheme)

3.8 It is inevitable that schemes will require some flexibility over time to accommodate changes in policy and fine tuning of parameters, just as we have seen with the London and other city schemes. Flexibility to optimise local circumstances, and to adapt over time is critical. INZ supports the flexibility provided for scheme pricing, for example increasing charges within the maxima set out via an Order in Council process and not prescribing all details in legislation the times and other parameters as to which charges will apply.

3.9 Some additional charging methodology as the scheme is fine-tuned. Inevitably there will an element of trial and error in any scheme implementation.

3.10 Getting the charge of the scheme right for different times of the day to achieve the desired level of decongestion will be a core challenge. INZ understands that from Auckland's modelling work that if the objective is to achieve consistent levels of decongestion across Auckland, there needs to be different prices charged in different locations. Congestion is a dynamic and variable process that requires a flexible response that can adapt as motorists adapt to new expectations. These factors point to the need for a degree of flexibility in pricing.

3.11 We note and support the fact that the legislation does not prescribe an approach to ownership of roadside assets and vehicle trip detection technology. Enabling each scheme to determine the best approach to this will enable greater value for money, competition between technology providers and reduce monopoly risks as well as improve speed-to-market.

3.12 Several other amendments are recommended to assist with the public understanding of the proposed scheme. Public consultation and impact assessments are integral components of the scheme development process, ensuring that community perspectives are considered. INZ also supports the addition of a requirement to show this area on a map, which would make it easier for all interested parties to understand where the scheme applies. We recommend some clarification around the scheme components

Recommendation: Support *s65H Order in Council Provisions with amendments detailed in Appendix 1:*

Amend s65H(2)(c) to also require a map showing the Time of Use Charging scheme area.

Amend s 65H(2)(d) to further clarify that the charging methodology changes could include changes required to address network service levels where the scheme outcomes aren't being achieved, as well as inflation costs.

Amend s65H(2)(h) requires the Order in Council to specify an investment approach setting out the *activities* to be funded from net Time of Use Charging scheme revenues and the principles to be applied in making funding allocations in accordance with the purpose of the Act.

Amend so that the Order in Council can specify classes of exempt vehicles and/or user in addition to emergency vehicles, in the same way for the tolling regime: see section 52(5) of the LTMA.

Add a new s65H(2)(l) to specify any mitigations required to address significant fairness and/or cost impacts on vulnerable user groups.

Governance and Ministerial powers

s65C Initiation of proposed time of use charging scheme

s65G Minister's decisions concerning time of use charging scheme

3.13 INZ notes that there needs to be a strong partnership between central and local government in order for the design and implementation of New Zealand's first congestion scheme to be successful. Successful congestion charging schemes rely heavily on public acceptance and the perception of fairness. Without clear communication of the benefits, transparent use of revenues, and consideration of social impacts, there is a risk of public resistance. Ensuring that the schemes are designed with input from affected communities and stakeholders will be crucial for their acceptance and effectiveness.

3.14 The design and implementation of a congestion charging scheme is a significant undertaking which will require commitment and leadership over several years. Schemes also combine the charge with equally important complementary public transport services and other measures to build public acceptance with the revenue raised. In New Zealand, delivery of these elements often falls across multiple authorities, requiring an integrated, coordinated approach to implementation.

3.15 The Bill as it stands does not readily facilitate this approach. The centralised decision-making approach does not guarantee integrated scheme design and delivery.

3.16 INZ thinks it is important that the final legislative provisions support cross-government and agency structure that will be required to establish and operate a successful time of use charging scheme. It is also important that there is broad support across political party lines to enable an enduring framework for the implementation to be undertaken as a partnership between central and local government.

3.17 A notable aspect of the legislation is the powerful role played by central government in any future congestion charging scheme. The Minister of Transport will have a major say in the way the scheme is implemented and how any money raised is spent (s65G). The legislation gives the Minister of Transport the ability to force a city to adopt a congestion charging scheme if deemed necessary (s65C(2).

3.18 While these powers enable timely progress, without local agreement they risk undermining scheme outcomes and public support.

3.19 The Bill's proposed decision-making process involves multiple layers, including local authorities, the New Zealand Transport Agency (NZTA), and ministerial oversight, which could hinder the timely and effective implementation of congestion charging schemes. The composition of scheme boards is unbalanced. Additionally, the process for allocating revenue generated from these charges is seen as convoluted, potentially leading to inefficiencies and delays in funding transport improvements.

3.20 Reflecting the need to take an integrated approach to planning a scheme, a better approach would be for the scheme board to be based on a joint model, either with a consensus approach or potentially an independent chair. That chair would have the casting vote. This reflects a similar partnership approach as what has been indicated as the intent of the reformed Regional Transport Committee model. Even in the case of an independent chair, however, there are decisions that require the support of the impacted local authorities (e.g. approval of final scheme to be submitted to the Minister).

Recommendation s65V Scheme boards: representatives and voting rights

Amend s65V to provide for the scheme board to have an independent chair jointly appointed by the local authority member(s) of the scheme and NZTA. Local authority and NZTA voting rights are accordingly reduced from 50% each. The independent chair the casting vote, in the case of an equality of votes.

Or Amend s65V to provide for the scheme board to have consensus decision making between all parties.

Revenue settings

s65H Order in Council establishing time of use charging scheme

3.21 Revenue derived from a congestion charging scheme could and should be ring-fenced for investment directly back into the city's transport network. While not the main purposed of the time of use charging scheme, this mechanism is still seen as an important new tool to help fund both public transport and road improvements, and most importantly help mitigate community concerns and objections to more user pay obligations. Reinvestment to improve public transport service capacity and reliability will be key.

3.22 This section requires local authority members of a Time of Use Charging scheme and the responsible Minister to conclude an investment agreement before the scheme comes into operation, and at least every 5 financial years after that. The agreement must be consistent with the investment approach and investment principles set out in the Time of Use Charging scheme.

3.23 There is concern that implementing congestion charges ahead of ensuring adequate public transport infrastructure could limit the effectiveness of the scheme. Cities like London and Singapore, which have successfully implemented congestion pricing, did so alongside significant investments in their public transport network. In contrast, New Zealand's major cities may lack the necessary public transport capacity and affordability to provide viable alternatives for commuters affected by the charges.

3.24 Definitions also need to be reviewed to provide further clarity as to net gross and net revenues components and how fines and infringement revenue will be treated also as currently infringement fees for different offences are paid to different enforcement authorities under the Land Transport Authority Act, including NZTA, Police and local authorities.

3.25 Changes are needed to explicitly provide for an investment agreement to cover the types of costs that are funded out of net Time of Use Charging scheme revenues under s65S(1) and s65S(2) i.e the core costs of a scheme (consistent with the scheme proposal), land transport activities that are consistent with the regional land transport plan or the regional public transport plan, and benefit those impacted by the scheme; and other activities within or adjacent to scheme area which complement the purpose of the scheme.

Recommendations

Amend s65H(2)(d) to further clarify that the charging methodology changes could include changes required to address network service levels where the scheme outcomes aren't being achieved, as well as inflation costs.

Amend s65H(2)(h) requires the OIC to specify an investment approach setting out the *activities* to be funded from net Time of Use Charging scheme revenues and the principles to be applied in making funding allocations in accordance with the purpose of the Act.

Amend so that the OIC can specify classes of exempt vehicles and/or user in addition to emergency vehicles, in the same way for the tolling regime: see section 52(5) of the LTMA.

Add a new s65H(2)(l) to specify any mitigations required to address significant fairness and/or cost impacts on vulnerable user groups.

Infrastructure
New Zealand

Charging Scheme Exemptions

S65P Who is not liable to pay time of use charge

3.26 **INZ supports** the limiting of time of use charge exemption to a limited range of vehicle types with the Bill only exempting emergency service vehicles. Exemptions overly complicate a scheme and make it administratively difficult. INZ considers that the regulatory framework should be kept as simple as possible and there should be minimal exemptions. However, in the interests of futureproofing the legislation there should be the ability to consider exempting classes of vehicles or groups of users, and they should be specified in an Order in Council.

3.27 At it stand, this provision is very narrow and doesn't foresee other exemptions being considered by any particular time of use charging scheme. INZ considers that the scheme board should have the ability to consider and specify that any other vehicle or user class be exempt from scheme charges, similar to the tolling provisions currently under the LTMA. But there also needs to be some safeguards to prevent overuse of exemptions that would undermine the scheme's effectiveness.

3.28 For instance, it may be appropriate for a scheme to consider exempting contracted public transport services (as defined under the LTMA) from the scheme charges because their inclusion could increase the cost of providing public transport and these services are required as a mitigation measure.

3.29 Consideration needs to be given to how a scheme addresses equity issues. INZ supports other mitigations outside the scheme itself (such as public transport discounts, or measures through either the social welfare or tax system). However, in the interests of futureproofing the legislation the scheme board should have an ability to exempt particular user classes from the scheme charges through the Order in Council provisions.

3.30 While there may be an argument for freight vehicles not to be charged, INZ does not support extensive exemptions being applied, at least in the initial phase. Freight and other commercial vehicles are able to pass on the scheme charges to their customers and will also ultimately benefit from reduced congestion thereby being able to complete more trips due to the conditions as we have seen in other scheme internationally and most recently in New York.

Amend the section to be headed *Exemptions*

Amend s65P(1) A time of use charge is not payable in respect of a motor vehicle that is an emergency vehicle *or a public transport service from paying charges;* or *is exempt by virtue of an Order in Council made under s65H.*

Infrastructure New Zealand

4. Conclusion

4.1 INZ welcomes the introduction of this Bill. While the Bill aims to address congestion issues, its current form presents a number of challenges that need to be considered and worked through. Addressing these concerns through inclusive policy design and stakeholder engagement will be essential for the successful implementation and ongoing operation of time of use charging schemes in New Zealand.

4.2 Done well, time of use charging will deliver a more efficient, fair, and future-ready transport system. Infrastructure New Zealand is committed to working with Government and local authorities to ensure the success of these important reforms.

4.3 INZ notes that the Government has also signaled changes to the current Tolling provisions of the LTMA. Along with the time of use charging scheme provisions, INZ thinks it is a matter of urgency that the tolling provisions are updated so they can be utilised more readily as a demand management and a revenue tool for our land transport system.

4.4 INZ wishes to present our submission to the Committee if there is an opportunity to do so.

Michelle McCormick

Policy Director

Infrastructure
New Zealand

Annex 1: Table of Recommendations

Reference	**Comment/Amendment**
Clause 4 New Subpart 3	**INZ supports** how this has been integrated into the LTMA as a new subpart 3 within Part 2 of the Land Transport Management Act (LTMA)
s65A Definitions	**Add new definitions for:** *Net time of use charging scheme revenues* which includes all scheme revenues remaining after all costs referred to in s65S have been met. Note that *gross revenues* are not defined. INZ notes that they would include charges collected by NZTA under s65ZG, but it is unclear whether they would include fines and infringement fee revenue. Section 65R(2), by specifying an offence against s65R(1) is a moving vehicle offence under the LTA, makes non-payment of Time of Use Charging an infringement offence. The Bill should clarify that infringement fee revenue is payable to NZTA. *Time of Use Charging scheme revenues* should be defined to mean Time of Use Charges, penalties for breaching section 65R and any costs awarded by a court in proceedings for breach of section 65R.
S65B Purpose	**INZ supports** the proposed purpose of Time of Use Charging schemes but agrees with Auckland Council and others that this needs to be balanced against ensuring the transport network continues to operate in an effective, efficient, and safe manner (that is referring to Section 3 of LTMA). **Amend** s65B to state *The purpose of a time of use charging scheme is to improve traffic flow in order to improve network productivity in a manner that contributes to an effective, efficient, and safe land transport system in the public interest.* Note there needs to be consequential changes are suggested to s65M, 65S and 65T to reflect this change.
S65C Initiation of proposed time of use charging scheme	INZ supports the right of the relevant local authorities to endorse any scheme before it is submitted to the Minister for approval. We also support the right for local authority to add further parameters (such as when charges would apply, proposed maximum charges, and exemptions) in the initiation notice to the matters to be identified in the notice under s65C(4).

	Amend s65C(2) to state that the responsible Minister may, with the agreement of any local authorities within the scheme area, direct the Agency to initiate . . . " , and **Amend** s65C(3) to require the Agency to consult with, rather than merely notify, local authorities within the scheme region where the Minister has directed the Agency to initiate a Time of Use Charging scheme. **Add new** s65C(4)(d) to enable the local authority to add more prescriptive detail within the scheme initiation submission.
S65D Proposed time of use charging scheme	**Amend** for clarity Section 65D(2)(c) to state When- (i) the proposed time of use charging scheme area and Time of Use Charging area(s) *commences*; and (ii) the proposed time of use charging area or areas *commence* **Also amend** to include any other matter, such as direction of travel, that determines whether a charge is payable in a Time of Use Charging area. Essential complementary measures, such as increased public transport capacity, that are necessary to accommodate and mitigate the impacts of the introduction of the scheme, including how impacts on the transport disadvantaged will be address (not necessarily within the scheme) A budget setting out the costs of a proposed scheme.
S65E Consultation on the scheme proposal	**Amend** consultation provisions to provide great clarity. Amend to reference that public consultation should be carried out in the scheme region and *the principles in section 82(1) of the Local Government Act 2002 apply to the scheme board as if it were a local authority*.

Infrastructure
New Zealand

S65F Submission of the scheme proposal to responsible Minister	**INZ supports the addition of a requirement** for the local authority that initiated a Time of Use Charging scheme to approve the proposal developed by the scheme board before it is submitted to the Minister. **Amend** 65F(1) to include a requirement for scheme proposal to be endorsed by the impacted local authorities before submission to the Minister.
S65H Order in Council establishing time of use charging scheme	**INZ supports the addition** of a requirement to show this area on a map, which would make it easier for all interested parties to understand where the scheme applies. **Amend** S65H(2)(c) to also require a map showing the Time of Use Charging scheme area. **Amend** Section 65H(2)(d) to further clarify that the charging methodology changes could include changes required to address network service levels where the scheme outcomes aren't being achieved, as well as inflation costs. **Amend** Section 65H(2)(h) requires the OIC to specify an investment approach setting out the *activities* to be funded from net Time of Use Charging scheme revenues and the principles to be applied in making funding allocations in accordance with the purpose of the Act. **Amend** so that the OIC can specify classes of exempt vehicles and/or user in addition to emergency vehicles, in the same way for the tolling regime: see section 52(5) of the LTMA. **Add** a new s65H(2)(l) to specify any mitigations required to address significant fairness and/or cost impacts on vulnerable user groups.
S65I Notification of time of use charging area and S65J Notification of time of use charges	INZ supports better clarity in both these sections – the reference should be to the undertakings of the Scheme Board in this section. Amend and replace "the Agency" in s65I with the "*scheme board*"

S65K Termination of time of use charging scheme	**INZ recommends** that as well as the scheme board, NZTA and the impacted local authorities, should be able to request the responsible Minister that a Time of Use Charging scheme be terminated. **Amend** s65K(1) to confer the power to request termination of a Time of Use Charging scheme to NZTA and impacted local authorities, as well as on the scheme board.
s65P Who is not liable to pay time of use charge	**Amend** the section to be headed *Exemptions* INZ supports the exemption of emergency vehicles. INZ considers that the regulatory framework should be kept as simple as possible and there should be minimal exemptions. However, in the interests of futureproofing the legislation there should be the ability to consider exempting classes of vehicles or users and they should be specified in in an OIC. **Amend** s65P(1) to: exempt publicly subsidised bus services from paying charges;
S65Q	**INZ supports** a nationally developed billing system to support Time of Use Charging schemes
s65S Scheme revenue	**Amend s65S(1) and (2**) to ensure that all elements needed for the scheme's establishment and operation are explicitly recognised as scheme costs and automatically funded from scheme revenue. This should include costs incurred by NZTA and local authorities and include essential complementary measures - projects or services that are needed to accommodate or mitigate the impact of changes in travel behaviour resulting from the scheme – such as an increase in patronage to public transport as a direct response of Time of Use Charging. All related works done by the Agency or a local authority under s65ZD to implement or operate a Time of Use Charging scheme, e.g. works to install a gantry and relevant local authority operating and maintenance.

s65V Scheme boards: representatives and voting rights	**Amend** s65V to provide for the scheme board to have an independent chair jointly appointed by the local authority member(s) of the scheme and NZTA. Local authority and NZTA voting rights are accordingly reduced from 50% each. The independent chair the casting vote, in the case of an equality of votes. Or **Amend** s65V to provide for the scheme board to have consensus decision making between all parties.
s65W Responsibilities of scheme board	**INZ recommends** amending this section to be consistent with the change of responsibility of the scheme as identified in earlier sections above. **Amend** s65W(b) to reflect the requirement for scheme boards to seek endorsement from the impacted local authorities for a Time of Use Charging scheme proposal prior to going out to consultation. **Amend** s65W(d) by omitting the word 'net', to reflect the fact that the investment agreement also needs to include overall costs of the scheme **Amend** s65W(c) and (d) as follows: (c) operating the Time of Use Charging scheme, including notifying Time of Use Charging areas and Time of Use Charges under section 65I and section 65J: (d) applying Time of Use Charging scheme revenues to the costs of the scheme in accordance with s65S(1) and investing net Time of Use Charging scheme revenues in accordance with s65S(2) and the investment agreement under s65X.
s65X Investment agreements and disbursement accounts	**Amend** s65X(4) to require that Investment Agreement "must" rather than "may" include the matters in existing paragraph (a) and (b) and new proposed paragraphs (c) **Amend** s65X(4)(a) require that land transport activities referred to are consistent with the regional land transport plan **Add** a new s65X(4)(c) to describe the costs of the scheme, consistent with s65S(1) **Amend** s65X(5) so that it applies to NZTA and AT as well as both have responsibility for delivery of land transport activities.

Infrastructure New Zealand

s65ZD What works may be done in relation to a time of use charging scheme	INZ supports this section. But note that pipes for the supply of water also include wastewater or stormwater pipes. Underground electricity supply should also be included as well as the ability to connect time in use charging scheme infrastructure to these utilities. Amend s65ZD(4)(b)(i)
s65ZH Regulations	INZ supports the broad regulation-making powers of the Minister under this section. We do recommend that a consultation phase is also included as per standard and regulatory making best practice. **Amend** this provision to ensure that consultation on any national standards/ regulations is required