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Infrastructure New Zealand's Submission on the Tolling of Te Ahu a Turanga: Manawatū Tararua Highway

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1. About Infrastructure New Zealand

1.1 Infrastructure New Zealand (INZ) welcomes this opportunity to submit to the New Zealand Transport Agency Waka Kotahi in support of the proposal to toll Te Ahu a Turanga: Manawatū Tararua Highway.

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 members 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 or expertise.

2. General Remarks

2.1 It is becoming apparent that New Zealand cannot use status quo funding mechanisms for reliance to properly maintain, renew and replace transport assets. Land transport is under significant funding pressure with over 20% of our infrastructure spending being in this area. Investment now exceeds revenues - keeping doing what we do is not sustainable. New ways to fund projects such as Public Private Partnerships must again be utilised, however new ways to capture revenue to service such models are just as important. The latter is the only way to enable the former.

2.2 While we cannot pretend that these revenues will go towards covering the full cost of the road, we must establish the discipline of charging the users for as much of the cost as possible. This is a well-established and accepted practice overseas and it is one we must adopt here to provide adequate transparency on usage, maintenance spend and long-term stewardship of our important transport assets. Good Infrastructure requires good pricing, it's not just about building a nice road or rail line and thinking the job is done.

2.3 It will be important for New Zealanders to accept and understand over time that to properly test demand and pay for usage, those of us who use assets should be more directly charged for the benefit of that use. Charging will assist road users to better decide how and when they travel. Road tolling in the instance of Manawatu will increase costs on the supply chain, this can and will be on-charged to customers who goods will be travelling on a new, faster, safer and more resilient route. The general taxpayer can no longer afford to subsidise road use to its current level and a more transparent charging regime will ensure costs fall more equitably. Such a regime will also allow road users to demand improved road maintenance and care as there will be greater focus on pavement condition if a direct revenue source is coming from users of the road.

2.4 Road pricing must become the expectation on all new roads constructed and opened from today, especially as we prepare the public for full time electronic roading pricing in the years ahead. A brave choice to charge will help change our mindset, help us consider our choices and behaviours, and remove the view held by many of us Kiwis that such projects are "free."

2.5 It is a shame that a charging policy was not put in place for new roads such as Transmission Gully. Now is the time for a stake to be lodged firmly in the ground and that should be accepted by both sides of the political spectrum. It was interesting to note that at the Infrastructure New Zealand Conference, Building Nations, held in Christchurch in July 2024, that National, the Greens, Labour and ACT all supported a form of road pricing. We need to see that consensus in practical reality.

3. Tolling Assessment

3.1 We note that this new 11.5km highway connection will now cost around $824m which is significantly more than when it was first committed to. These cost increases reflect the wider inflationary construction environment to a large degree. However, they also highlight the need to secure a wider source of revenue for the National Land Transport Fund. Currently pricing tools are limited. Tolling is one tool currently provided for under the Land Transport Management Act 2003.

3.2 INZ concurs with NZTA's assessment that Te Ahu a Turanga: Manawatū Tararua Highway is a suitable road for tolling and is consistent with the current GPS on Land Transport 2024 which contains the expectation that that tolling be considered for all new roads to support the construction and maintenance of these routes. Given the ongoing increased demand for land transport funding and decreasing revenue from fuel excise duty and road user charges, it is inevitable that other revenue sources provided for in the legislation are accessed and we expect this to be a consistent national approach from now on and without any favouritism or dispensation shown to any particular regions. It is unfortunate that the possibility of this route being tolled was not raised earlier in the planning and development process. However, with the government's position on tolling clearly stated in the GPS, which was widely consulted on, this should not be seen as an impediment but will require more work to engage the community ahead of the new road's opening.

3.3 New Zealanders' demand world class transport infrastructure but we need to face up to the fact that most of the rest of the world is paying for significant infrastructure via direct user charges in additional to other general or fuel taxes. This new highway connection will be safer and provide a more reliable route for people and freight between regions. The travel time savings are significant, especially when compared to the two local road alternatives which have served highway traffic since SH3 through the Manawatū Gorge was closed in 2017. The Saddle Road and the Pahiatua Track routes will remain as alternatives once the new highway is opened. Although Te Ahu a Turanga will be a much less windy and safer faster route.

3.4 The tolls set at $4.30 for a light vehicle and $8.60 for heavy vehicles is proportional to the benefits accrued including travel time saving, vehicle operating costs savings, safety benefits with a reduction in serious crashes and deaths as well as being a much more pleasant and enjoyable road to drive. The toll fees equate to less than the cost of one hour's parking in a main centre. In the case of heavy vehicles, the tolling costs are passed onto customers while the drivers will enjoy a safer easier journey. The travel time reductions and fuel reductions due to a better gradient will also serve to offset the toll fee. We also know that stated preference in transport user behaviour does not always indicate actual behaviour. Other toll roads in New Zealand have had higher actual usage once opened than the alternatives as people have experienced the benefits first hand and easy payment systems are put in place.

3.5 The traffic assumptions used in the modelling are reasonable. There are growing populations in the surrounding regions also and it can be expected that one the toll road is in place, the benefits will be recognised and use of it will continue to increase as people adapt to the new network. INZ supports the use of the NZTA tolling back office to support another tolling road scheme. We would expect to see Scheme transaction and administration costs reducing over time as more tolls are processed.

3.6 Ahead of any implementation, we would recommend that NZTA work closely with local communities to assist them to easily transition to a user pays environment with assistance to open tolling accounts and readily available Q&As responses.

4. Conclusion

4.1 Infrastructure NZ fully supports the tolling of Te Ahu a Turanga, and all subsequent new highways as they are opened.

Michelle McCormick
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