



# Auckland Matters

The AA's Auckland infrastructure issues newsletter

OCT 2014 | ISSUE 02

GUIDING  
LIFE'S  
JOURNEYS  
FOR OVER  
110 YEARS.

New Zealand  
Automobile  
Association



## ISSUE 2: ROAD PRICING



Truck tolling system  
in Germany

### From the policy team



In this edition of Auckland Matters, we focus on road pricing, which is set to come to the centre of the transport

infrastructure debate as Auckland Mayor Len Brown considers alternative funding options within the Long Term Plan.

With Auckland about to enter uncharted waters, we see this as an ideal time to shed light on the public mood towards road pricing, via a survey of Auckland AA Members, and to provide a set of recommendations for road pricing policy-makers.

As more detail is released on alternative funding and project choice, we'll be drilling more deeply into Auckland Member sentiment, and making more definitive judgements of our own – so watch this space!

Barney Irvine,  
Principal Advisor – Infrastructure

### Introduction: It still comes down to cost

When asked to choose between alternative funding options, Auckland AA Members prefer road pricing, in the form of a motorway toll. But, road pricing or otherwise, big questions remain about whether they are prepared to take on extra cost at all.

In Issue 1 of Auckland Matters, we said that Auckland appeared ready to discuss new funding options, but that support for the infrastructure programme would inevitably waver as the cost impacts became more real. These conflicting factors appear to be

playing out in a new survey of our 285,000 Auckland AA Members.

If officials are to secure genuine buy-in for a new road pricing scheme, they must overcome the cost hurdle, and that will require a compelling narrative about the benefits.

### The Mayor's Long-Term Plan proposal

#### 1) Baseline option:

##### Includes:

- City Rail Link (CRL)
- East-West Connections
- Northwestern Growth Area
- Warkworth SH1 intersection improvement
- Upgrades to Lincoln, Te Atatu, Dominion Rds

##### But not:

- Routine local and arterial road improvements
- Development of park and ride

*Requires: 2.5% -3.5% p.a. average rates increases.*

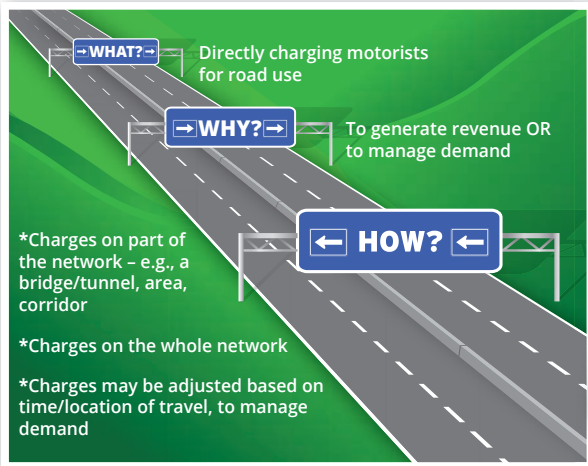
#### 2) Extended option:

##### Includes all Baseline projects plus:

- Routine local and arterial road improvements
- Development of park and ride
- Northwest busway
- Penlink
- Electric rail to Pukekohe

*Requires: additional funding from road pricing (most likely to be a motorway toll) or extra rates and fuel taxes.*

# Road pricing basics



## The AA's position

The AA has recently reviewed its road pricing policy, and decided that the time has come for a more open stance – one that could consider options beyond tolls on new infrastructure, which we have traditionally supported.

This reflects the changing landscape in terms of infrastructure needs and expectations, funding availability, and public appetite for the concept of road-user charges.

It also reflects the important potential benefits that road pricing can offer: additional funding; equitable charging regimes; better management of existing infrastructure to improve network performance and delay the need to build expensive new infrastructure; and a partial solution to the slowing growth in excise tax revenue as vehicles become more fuel efficient.

Our view is that, in one form or another, there is likely to be a role for road pricing to play in the future of the network. When is unknown.

So we're willing to consider new approaches, and will assess them against a set of key considerations, which will help to build solid public and political support.

## Road pricing: what the AA would look for

**Accountability** – Have officials made a commitment to measurable benefits for transport users? Are they legally bound when it comes to how and why new revenue is spent? Is there an appropriate review mechanism?

**Equity** – Is it fair for different income groups, for different parts of the city/country, and from one generation to the next?

**Economic efficiency** – Does it lead to high-quality projects and a more efficient network?

**Capital and collection costs** – Are set-up costs and collection costs affordable, for users and the Crown?

**Revenue sustainability** – Does the scheme generate the required revenue? Are charges set at a level that people can afford and will pay?

**Flexibility** – Can the scheme be adapted to incorporate improvements in technology?

## What our Auckland Members are telling us

In early October, we completed an on-line survey of Auckland AA Members to better understand their initial views on road pricing, based on the options put forward in the Mayor's LTP proposal. Here's what we found:

### Road pricing preferred

When it comes to alternative funding mechanisms, a motorway toll has more support than a scheme involving rates increases.

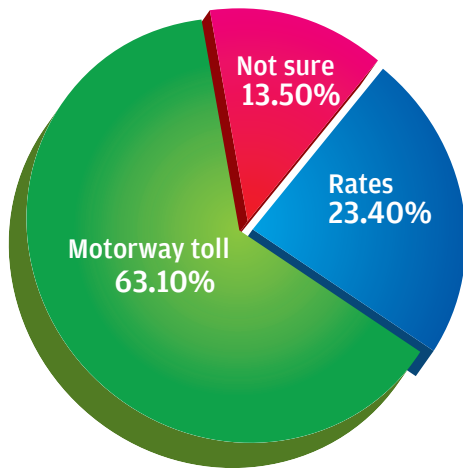
When asked which funding option they preferred, 63% of Auckland Members said a motorway toll, while 23% said rates and fuel taxes.



*I agree with tolls on motorways. They should be used to fund roading projects, as in essence it is in line with NZ society – user pays.*

- AA Member

## PREFERRED ALTERNATIVE FUNDING OPTIONS



### Demand management could fly

There are also signs that Auckland Members could be prepared to consider variable pricing as part of a motorway toll, to help reduce congestion.

When asked whether it would be a good idea to charge more at peak times to free up the network, close to 50% said Yes, though support was far higher (63%) among more affluent Members.

### But: Auckland Members expect congestion trade-off

There is a clear expectation on the part of Auckland Members that any road pricing scheme needs to result in congestion benefits.

A total of 53% of respondents said they would reject or angrily reject a motorway toll that didn't result in an improvement in congestion in the near term.



*I barely make ends meet, have a job that requires me to cross the bridge, from the North Shore to Blockhouse Bay, and back again, five times a week. I cannot afford to buy a house, now you want to penalise me by charging me to use a road already paid for!*

- AA Member

### And fundamental concerns about cost remain

But looming behind the apparent openness to road pricing is anxiety and frustration at the prospect of increased transport costs.

This is expressed in a lukewarm initial response to the Mayor's LTP proposal: while there is stronger support for the Extended option (35%) than the Baseline option (21%), the greatest support (37%) is for neither option.

Auckland Members are also unsettled by the idea of any extra costs being ongoing: 61% said that, if a new funding scheme were implemented, it should not be retained once the earmarked infrastructure had been paid for.

### Outer suburbs feeling neglected

Cost concerns are compounded by a strong sense in the outer suburbs, particularly the North Shore, that there is little for them in the proposed infrastructure programme, and that alternative funding would simply mean that they must subsidise projects designed for the benefit of Central Auckland.



*On the Shore, we pay some of the highest rates, not ONE of these major developments will help us in any way! Rate rises for something we will never use is a joke.*

- AA Member

### CRL seen as a CBD project

Perhaps for the first time, chinks in the broad support for the City Rail Link (CRL) are also visible.

Many Auckland Members believe that the project will only benefit a small proportion of the population (those who live or work in the central city).

Awareness of the network-wide benefits that the CRL could offer is minimal – instead, it is commonly assumed that the project is only about intra-CBD travel.

As a result, support for the project is surprisingly low: only one-third of Auckland Members believe investment in the CRL would be money well spent.

### The public is a long way behind

Also evident is that the public is a long way behind the officials in the transport infrastructure debate.

Far from recognising that choices between concrete options are imminent, many Auckland Members appear to believe that we are still at the 'blank canvas' stage.



# Recommendations

Here are our five recommendations for road pricing policy-makers:

## 1. Focus on the customer

Despite support for the infrastructure vision put forward by the Council, there is still an awareness vacuum around the details, road pricing included.

Auckland Members will continue to respond negatively if that vacuum is only filled by a conversation about costs.

Aucklanders need to hear about benefits – they need to understand what they will get for their money with road pricing, and why it will be worth it.

To enable this process, officials must illustrate measurable customer outcomes in terms of de-congestion, travel time savings and alternative mode options.

Also, officials need to clearly spell out the likely nature of toll avoidance (in terms of alternate routes and travel times), so the public can realistically understand the lifestyle impacts.

## 2. Play the long game

While those on the inside of the debate see road pricing as an opportunity for a giant leap forward in efficiency and equity, most of the public will see it as yet another tax on an activity they're already repeatedly taxed for.

This is partially why road pricing has proven such a hard sell politically around the world and why, other than tolls on new infrastructure, road pricing has not been implemented in any city similar to Auckland: low density, car-oriented, and economically developed.

It also helps to explain why, in jurisdictions where sophisticated schemes have been successful, there has typically been a long lead in (the Swiss spent 17 years debating a distanced-based charging system before it was introduced).

If and when Aucklanders decide they are ready for a more serious investigation of road pricing, officials must commit to a gradual process of building public awareness and confidence, and a collective understanding of the problems that road pricing could fix.

## 3. De-mystify the CRL

At present, Auckland's flagship project is poorly understood, and risks becoming the focal point for public concerns about cost.

Politicisation of the CRL has stood in the way of a conversation about its substance.

Much more needs to be done to develop public understanding of what the project is, and how it could benefit all of Auckland.

Again, the story needs to be told in terms of concrete outcomes – economic growth, travel time savings, and de-congestion.

## 4. Tell us how it ends

Officials should also clarify the end game with any road pricing scheme.

This may mean identifying a termination point, but could also mean demonstrating that the public will have the chance to re-evaluate the scheme further ahead (bearing in mind that public support could grow once the scheme's benefits are seen).

One approach could be to hold a referendum on the future of the scheme once the proposed infrastructure projects had been paid for, not unlike the referendum that was held on Stockholm's congestion charging system after an initial trial period.

## 5. A broad funding base

The benefits of large transport projects are felt broadly across the community – some accrue directly to transport users, some to property owners, and some to the whole community – and the mix of funding tools should match this.

Road pricing should be looked at in combination with increases to other funding sources, both existing and new.

One new approach that has broad cross-sector support is to target the uplift in property value that occurs from new infrastructure development.

A range of value capture mechanisms have been used in the development of the metro system in Hong Kong, for instance, and these should be further explored in the case of the CRL, to better reflect the benefit that CBD landowners will derive from the project.

### For more information contact:

Barney Irvine  
Principal Advisor – Infrastructure  
T. +64 9 966 8608  
M. +64 27 839 9309