



THE NEW ZEALAND  
AUTOMOBILE  
ASSOCIATION  
INCORPORATED

342-352 Lambton Quay  
Wellington  
New Zealand  
PO Box 1  
Wellington  
New Zealand

T. +64 4 931 9999

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Committee Secretariat  
Transport and Infrastructure Committee  
Parliament Buildings  
WELLINGTON

Phone: 04 817 9520  
[ti@parliament.govt.nz](mailto:ti@parliament.govt.nz)

# Land Transport (Time of Use Charging) Amendment Bill

## Summary

1. The AA recognises that time of use charging is the only tool capable of meaningfully addressing congestion in some of New Zealand's fastest growing cities. But we are equally mindful that:
  - it has not been implemented in cities like ours that have developed around the mobility that cars provide and where people overwhelmingly rely on cars to meet their travel needs;
  - to be successful, it will need sufficient public support or at least acceptance and AA Member research suggests this is currently far from the case.
2. Our submission focuses on the improvements we think need to be made to the Bill to give time of use charging the best chance of success.

## Purpose of time of use charging schemes

3. We support the core requirement that time of use scheme proposals should improve traffic flow as measured by travel times and trip volumes. However, we don't think this should extend to the wider goal of improving network productivity. This goes well beyond the objectives of almost all international schemes and risks excluding proposals in locations which have good public transport alternatives, including Auckland's city centre. Achieving network wide improvements would require a more sophisticated road pricing tool.

## Governance and decision making

4. The AA generally supports most of the Bill's clauses relating to decision making by the responsible Minister, but we think two changes are needed to align these clauses with the rest of the Land Transport Management Act:
  - the Minister must be satisfied with the degree of community support for time of use charging scheme proposals, as is required for road tolling scheme proposals.
  - investment agreements should be between NZTA and the local authorities, as is the case for all other land transport revenue decisions.
5. We support establishing scheme boards to develop and operate time of use charging schemes and the proposed membership and voting rights. We do not support NZTA holding the Chair and the casting vote because we think joint decision making between state highway, local roads and public

transport providers will be essential to any scheme's success. We recommend the following amendments be made:

- NZTA and local authority representatives must agree and appoint an independent person to Chair a scheme board
  - a scheme board must secure endorsement from all agencies represented on the board before submitting a proposal to the Minister
  - a scheme board should be able to delegate any of their functions and duties to any agency represented on the board.
6. In principle, the AA supports the flexibility the Bill provides to adjust charges to achieve a desired level of service (traffic flow) by prescribing a maximum charge and a methodology for increasing it. However, the Bill does not specify any requirements for increasing charges and charges can be increased without public consultation. We think the methodology for increasing the maximum charge needs to be based on a proposal's traffic flow objective. We also think charges should not solely be set based on desired service levels but should also consider people's ability to respond.

## Access and equity

7. Addressing adverse access impacts will be the biggest barrier to successfully implementing time of use charging in New Zealand. Changes need to be made to the Bill to overcome this hurdle.
8. The Bill is virtually silent on the transport investment that will be needed both to mitigate the impacts of time of use charging on the surrounding transport network and to make schemes effective and equitable. These have been key elements in international schemes and will be critical here given the much more limited public transport alternatives available. Amendments are needed to prioritise this investment ahead of other regional transport priorities and to include supporting network changes in the requirements for scheme proposals.
9. Changes are also needed to allow scope to consider whether limited additional mitigation measures are needed to address access impacts, as is also common for international schemes. We think the Bill needs to enable measures to be included in scheme proposals, and if approved, in the Order in Council establishing a time of use charging scheme. This process will allow public scrutiny of any proposed measures and will enable the Minister to assess whether they are likely to have any material impacts on scheme effectiveness.
10. Finally, we think amendments are needed to add distributional impacts to scheme boards' reporting requirements and to the concerns the Minister can raise with boards about scheme performance. Comparing actual distributional impacts with the estimated impacts in the scheme proposal will help inform whether any adjustments are needed to mitigate these impacts.

## Introduction

11. The NZ Automobile Association (AA) is pleased to provide this submission on the Land Transport (Time of Use Charging) Amendment Bill (the Bill).
12. The AA has advocated for the transport interests of our Members throughout our more than 120-year history. Today we represent more than 1.1 million personal Members and provide support to a further one million vehicles that are owned by businesses.

## AA Members' views

13. The AA's position on the Bill has been informed by the perspectives of more than 16,000 Auckland, Tauranga and Wellington AA Members who responded to our 2024 congestion charging survey.

14. Less than a third of Auckland and Wellington respondents, and less than a fifth of Tauranga respondents, considered congestion charging should be seriously considered in their cities. Respondents who indicated they have no alternatives to driving on major roads during peak periods were also significantly less likely to think congestion charging should be seriously considered than all other respondents.
15. Across all three cities, more than nine in 10 respondents were concerned about whether congestion charging would be fair and affordable. These concerns are undoubtedly contributing to – if not driving – the low levels of support for congestion charging.

### The case for time of use charging in NZ cities

16. The AA agrees with the opening statement of the Bill's General Policy Statement - congestion in our largest cities is worse than other cities with similar population densities. Congestion will also inevitably get worse with ongoing population growth.
17. There are very real limitations on the extent to which congestion can be tackled with conventional supply side solutions focused on expanding the reach and capacity of our road and public transport networks. Conversely, time of use charging has considerable potential to reduce congestion, and in doing so, generate primarily economic, but also social and environmental benefits.
18. However, our very high levels of reliance on private vehicles to meet our travel needs presents a significant challenge to successfully implementing time of use charging in NZ cities. In Auckland's case, just 14% of trips to work and education are made by public transport (including by school bus)<sup>1</sup>, and on a 24/7 basis, public transport's mode share is around 4%<sup>2</sup>.
19. Public transport plays a much more significant role for trips that start or end in Auckland or Wellington inner cities. For example, just before Covid, almost half of all morning commuters used public transport to travel into Auckland's city centre<sup>3</sup> and the larger inner-city area attracted over half of all of commuter trips made by public transport across Auckland<sup>4</sup>.
20. To date, only a handful of cities have introduced time of use charging, and apart from Singapore, all are entirely focused on their city centres or inner cities<sup>5</sup>. All are also considerably denser than New Zealand cities and therefore have comprehensive public transport networks. Public transport accordingly accounts for a much greater proportion<sup>6</sup> of total travel in these cities than is the case in New Zealand cities.
21. That's also no doubt why time of use charging is yet to be introduced in any North American<sup>7</sup> or Australasian city that has primarily developed 'outwards' rather than 'upwards'. Urban growth in these cities has been driven primarily by the accessibility provided by cars and highway

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<sup>1</sup> Statistics NZ (2023), Main means of travel to work and education by workplace/educational institution address, Census 2023.

<sup>2</sup> Paling, R (2021) Household Travel Survey – Analysis of the Auckland results for the period 1989-2018.

<sup>3</sup> NZ Herald (2019) Half of all March commuters into Auckland CBD jumped on public transport: AT.

<sup>4</sup> Paling, R (2020), Analysis of the 2018 Census Results: Travel to work and Travel to Education in Auckland.

<sup>5</sup> The Bill's Regulatory Impact Assessment (RIS) states that Singapore is the only place in the world location which operates "variable charging that is relevant" (to what is proposed here). The RIS also notes that "City centre congestion management schemes in London, Stockholm, Gothenburg, Milan, Oslo and Bergen *do not address network wide congestion*." New York's recently introduced congestion charging scheme, only operates in part of Manhattan (south of 60<sup>th</sup> Street) in downtown New York and is therefore also not focused on congestion on the wider network.

<sup>6</sup> For example, the Deloitte City Mobility Index indicates public transport accounts for around a third or more of trips in London, Stockholm, Singapore, Oslo and New York.

<sup>7</sup> New York is unique in North America – its historical and ongoing growth and density is similar to European or Asian cities.

construction. This has resulted in dispersed trip patterns and public transport is consequently only able to account for a small proportion of total trips.

## The AA's position

22. The AA has carefully considered the policy case for time of use charging, alongside our Members' views. We are open to time of use charging and support legislation to enable it because we recognise it is the only tool capable of meaningfully addressing congestion in some of our fastest growing cities.
23. However, implementing time of use charging in a way that meaningfully reduces congestion, while also minimising adverse impacts on people's ability to access important needs<sup>8</sup>, will be challenging in cities that have literally grown based on the mobility cars provide.
24. The AA's ultimate position on time of use charging will depend on the extent to which we are satisfied the final legislation, and any proposed schemes which follow, effectively balance these two somewhat conflicting things. We think achieving this balance will be a prerequisite to achieving the necessary social licence to introduce time of use charging in any New Zealand city.
25. There are two main areas where we think improvements need to be made to the Bill to give time of use charging the best chance of success:
  - Governance and decision making
  - Access and equity.
26. Our submission focuses on these areas but begins by setting out our views on the purpose of time of use charging schemes.

## Purpose of time of use charging schemes

27. The proposed purpose of time of use charging schemes is "to improve traffic flow in order to improve network productivity" [65B]. Scheme proposals must "improve traffic flow, being a combination of travel times and trip volumes" [65D].
28. The AA agrees that the purpose of all schemes should be to reduce congestion by improving traffic flow as measured by travel times and trip volumes and supports 65D. However, we do not consider time of use charging is the right tool to improve wider network productivity for three reasons:
  - i. Network productivity goes well beyond the objectives of all time of use charging schemes currently in operation around the world (apart from Singapore), which are focused on addressing inner city congestion (see paragraph 20 and footnote 5 above).
  - ii. A requirement to improve network productivity would risk excluding schemes in locations that could achieve meaningful reductions in congestion, and which have good public transport alternatives, but which are unlikely to improve wider network productivity - potentially even including Auckland's city centre<sup>9</sup>.
  - iii. Time of use charging is a tool for defined roads usually within a defined local area where congestion is a problem. While the Bill is agnostic about the technology to be used for time of use charging, achieving productivity improvements across a city's road network will

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<sup>8</sup> For example, work, education and ongoing medical appointments.

<sup>9</sup> Transport modelling for the 2017-2020 Auckland *The Congestion Question* work undertaken by government and Auckland officials found that a city centre cordon would reduce average vehicles travel times across Auckland's network by 0.8% and Auckland-wide vehicle trips by 0.4% (The Congestion Question: Main Findings, p15).

require fundamental changes to the national transport revenue system<sup>10</sup>.

**Recommendation 1:** Align the purpose of time of use charging schemes in Clause 65B with the core requirement for scheme proposals in Clause 65D by making the purpose “improving traffic flow” and deleting the subsequent words “in order to improve network-wide productivity”.

## Governance and decision making

### Decisions on scheme proposals

29. The AA generally supports most of the Bill’s clauses relating to decision making by the Minister but we consider an amendment is needed to the clause covering the Minister’s decisions on a scheme proposal [65G].
30. As drafted, 65G is inconsistent with one of the LTMA requirements for decisions on proposed road tolling schemes – that the Minister must be satisfied with the level of community support when making decisions on toll road proposals [48(1)(b)].
31. Time of use charging will inevitably have much more significant impacts on the public than toll roads because unlike toll roads there will be no requirement for a feasible, free alternative route. A time of use charge can only be avoided by driving at times when charges do not apply, switching to public transport or not driving at all.
32. It is therefore illogical that community support is something the responsible Minister is required to consider for a tolling scheme proposal but not for a time of use charging scheme proposal.

**Recommendation 2:** Amend 65G to align with requirement for Ministerial decisions on tolling scheme proposals under s48(1)(b) of the LTMA – “in deciding whether to approve a time of use charging scheme proposal the Minister must be satisfied with the degree of community support for the proposal”.

### Investment decisions

33. The Bill requires scheme proposals to set out the investment approach for time of use charging revenue, the activity classes to be funded and the principles to be applied in making funding allocation decisions in accordance with the purpose of the Act [65D(2)(i)]. The Minister can send a proposal back to the scheme board and ask it to consider any aspect of it (i.e. including the investment approach) [65G(1)(b)].
34. In our view, this is an appropriate role for the Minister and we both support both clauses.
35. The Bill also proposes time of use charging revenue be allocated through investment agreements between the Minister and local authorities [65X]. An investment agreement would include “a list of [specific] land transport activities (such as activities involving state highways, local roads, public transport, and active transport) to be funded through scheme revenue” [65X(4)(a)].
36. The proposed decision-making responsibilities for investment agreements are markedly different from those which apply to the allocation of all other land transport revenue, which involve:
  - regions bidding for funding through Regional Land Transport Plans (RLTP) and

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<sup>10</sup> This would almost certainly mean moving all vehicles in the national fleet on to electronic road user charges (eRUC) which would enable network pricing.

- NZTA making investment decisions through the National Land Transport Programme (in a way which gives effect to the Government Policy Statement on land transport or GPS).

We have not been able to identify a policy basis for departing from this process for allocating time of use charging revenue for transport investment.

37. We do not consider the Minister's decision making needs to extend to individual projects and services. We are concerned that political decision-making risks investment on big projects being prioritised ahead of more mundane activities that will be needed to make time of use charging effective and regional priorities in RLTPs.

38. We think NZTA and the local authority members of a scheme board are best placed to determine investment priorities for scheme revenue, guided by the expected impacts of the scheme on the transport network, the GPS and agreed regional priorities in the region's RLTP.

**Recommendation 3:** Amend 65X to require investment agreements be made between local authorities and NZTA.

## Scheme boards

39. The Bill proposes establishing a new transport entity, scheme boards, to develop and operate time of use charging schemes [65U]. The AA supports this and we agree that NZTA and local authorities should sit on scheme boards.

40. The Bill proposes NZTA representatives would hold 50% of the voting rights on scheme boards and local authorities would hold the remaining 50% [65V(2) and (3)]. The AA agrees with these provisions.

41. The Bill also proposes NZTA would Chair scheme boards and the Chair would hold the casting vote [65V(4) and (5)]. We note that in practice, this would mean NZTA would have a controlling right over all scheme development and operational decisions.

42. We presume these provisions have been developed to:

- ensure any time of use charging scheme improves congestion, or at least does not risk making it worse, on State Highways
- provide a means of breaking a deadlock between NZTA and local authorities on scheme decisions.

43. We agree it is important to avoid either of these risks emerging, but we do not think giving NZTA a controlling right in scheme board decisions is the right way to address them because:

- local authorities will be less likely to make changes to local road and public transport network operations to optimise scheme performance if they only have a limited role in decision-making
- it would be inconsistent with the governance and operating arrangements for all international time of use charging schemes, which have been developed, championed, led and managed by city and regional governments (apart from Singapore, which is a city state).
- relegating democratically-elected local authorities to junior partners risks undermining public transparency, accountability and trust<sup>11</sup>.

<sup>11</sup> We note that the Regulatory Impact Assessment prepared for the Bill concluded that regional transport committees should agree to charging schemes to provide public representation and accountability across the region. The RIS went on to note that the electoral risk should lead to a reasonable careful approach to new charging scheme design and how schemes are

44. In short, we think it is naïve to assume time of use charging can be implemented in any of our congested cities without the full support of, and fully integrated decision-making between, state highway, local road and public transport providers as equal partners.
45. We acknowledge there is a risk that joint decision making could delay or even prevent a scheme from progressing. However, progressing a scheme that doesn't have the full support of all parties that are needed to design, implement and operate it seems to us to be a recipe for failure. We think this risk can be avoided by requiring that the Chair of the Board be an independent person.

**Recommendation 4:** Replace 65V(4) with the words “The NZTA and local authority representatives must agree and appoint an independent person to Chair the scheme board”.

46. We think a further amendment is needed to ensure schemes are developed, implemented and operated with the full support of the agencies represented on boards. Proposed schemes should be endorsed by the NZTA Board and local authorities before scheme boards submit them to the responsible Minister for a decision.

**Recommendation 5:** Add the following new sub-clause to 65F between the current (b) and (c): (c) confirmation that the scheme proposal has been endorsed by the Agency Board and all local authorities who are represented on the scheme board”.

#### Role of Auckland Transport

47. We note that Auckland Transport (AT) would be consulted on an Auckland scheme proposal before it is sent to the Minister [65E] but could not be a member of an Auckland scheme board as it is not a local authority.
48. We appreciate the government has announced proposed Auckland transport governance reforms which are likely to eventually see AT's road controlling authority responsibilities transferred to Auckland Council. However, time of use charging legislation needs to work with current legislation. Moreover, AT is expected to retain responsibility for public transport in Auckland and public transport will be a key element in any scheme's success. We also note that in regions outside of Auckland, regional councils – which are responsible for public transport – can be members of scheme boards as they are local authorities.

**Recommendation 6:** Amend [65V(1)] to enable a scheme board in Auckland to include Auckland Transport alongside NZTA and local authority representatives.

#### Responsibilities of scheme boards

49. The AA supports the scheme board functions and duties proposed under clause 65W but we think boards should also be responsible for two functions that the Bill currently allocates to NZTA.
50. Scheme boards are required to prepare scheme proposals, which must include the proposed scheme area, the maximum charge payable and the methodology for increasing the maximum charge [65D(2)]. Boards are also tasked with consulting on proposals, operating schemes, investing revenues and reporting scheme performance [65W]. However, the Bill assigns NZTA responsibility for notifying charging areas [65I] and charges [65J].

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implemented (paragraphs 104 and 111). <https://www.transport.govt.nz/assets/Uploads/Time-of-Use-Charging-Cabinet-Material-Proactive-Release.pdf>



51. We acknowledge that 65I provides that NZTA may only issue a notice describing a charging area where a scheme board has publicly consulted on that notice. However, this is not the case with notifying charges. As drafted, 65J gives NZTA full discretion to determine and announce charges without recourse to the scheme board, so long as the charge is less than the maximum charge which has been approved in the Order in Council establishing the scheme. It is unclear whether this is a drafting error.
52. We think it is both logical and important that responsibilities for notifying a scheme charging area and determining and notifying the charges should sit with scheme boards.

**Recommendation 7:** Amend clauses 65I and 65J by replacing references to “the Agency” with references to “scheme board”.

53. We also think scheme boards should have flexibility to delegate responsibility for any function or duty to an agency represented on the Board if they consider that function or duty could be more effectively or efficiently undertaken by that agency. For example, public consultation might best be done by a local authority and it might make sense for NZTA to operate schemes<sup>12</sup>.

**Recommendation 8:** Add an additional clause to Clause 65W to allow scheme boards to delegate any of their functions and duties to organisations that are represented on the board.

## Setting and increasing maximum charges

### *Methodology for increasing maximum charges needs to be linked to traffic flow objective*

54. Rather than prescribing a fixed time of use charge, the Bill would require scheme proposals to set out both the proposed maximum charges and a methodology for increasing those maximum charges over time [65D(2)]. If a scheme is approved, both the maximum charge and methodology for increasing it would be included in the Order in Council [65H(2)].
55. In practice, that would mean a scheme board would:
- have discretion to increase charges up to the level of the maximum charge
  - need the Minister’s approval to increase the maximum charge in accordance with the methodology.
56. In principle, the AA supports these provisions because we think scheme boards will need sufficient flexibility to adjust charges both up and down to achieve and maintain a scheme’s planned improvement in service levels set out in 65D(3).
57. However, we note that the Bill does not specify any requirements for increasing the maximum charge and that scheme boards will be able to increase maximum charges without public consultation [65L(3)]. In the absence of consultation, we think it is important that the Bill specifies requirements for setting the maximum charging methodology that tie back to the to the scheme proposal’s traffic flow (service level) objective in 65D(3).

**Recommendation 9:** Add the following words at the end of 65D(2)(f): “...which must be based on an assessment of how charges may need to change to maintain the scheme proposal’s anticipated change in service level as set out in 65D(3)”.

<sup>12</sup> Particularly given NZTA’s proposed responsibility for billing and collecting charges under 65ZG.



### *Linking charges to road users' ability to respond*

58. We also think there needs to be a requirement that charges are not set solely to meet desired service levels but also take into account people's ability to respond.
59. As part of *The Congestion Question* (TCQ) work undertaken between Government and Auckland Council officials between 2017 and 2020 a number of time of use charging scenarios were tested in an attempt to:
- identify the charge levels needed to achieve a target reduction at different points across Auckland's peak periods, while also
  - reflecting "the ability for peak-period travellers to realistically respond to congestion charges through mode and time changes"<sup>13</sup>.
60. The AA agrees with both objectives. The Bill sets out a clear framework to ensure scheme proposals are appropriately focused on reducing congestion but does not include any requirements for proposals to take into account the real-world choices and constraints of road network users.

**Recommendation 10:** Amend 65D(2)(d) as follows:

the maximum charges proposed for each charging class of vehicle which must be:

- i. consistent with regulations made under section 65ZH and
- ii. take into account road users' ability to respond to time of use charges through time and mode changes

## Access and Equity

61. Addressing fairness, in particular people's ability to access essential economic and social activities like work, education and health services, has been a key factor in public acceptability of international schemes. Making time of use charging work in New Zealand cities where the overwhelming proportion of people access many of their needs by driving, means addressing this will be even more important here.

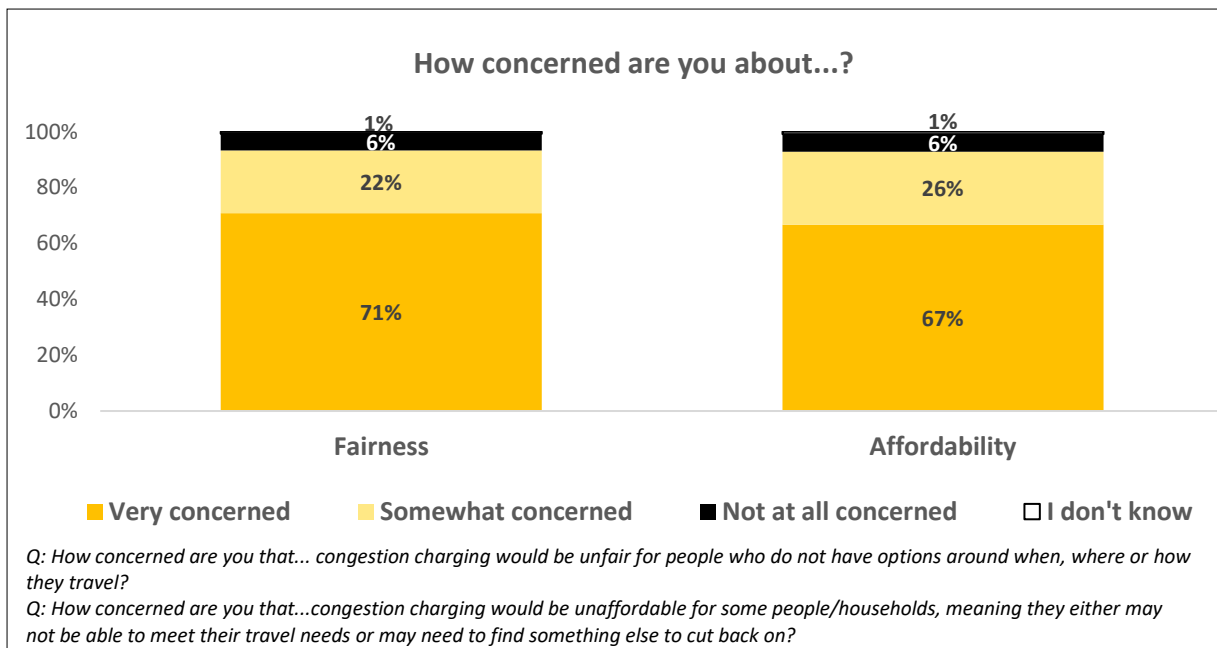
### AA Members concerns

62. Almost all AA Members who responded to our survey indicated they have concerns about the fairness and affordability of congestion charging – with women significantly more likely to indicate they were 'very concerned' <sup>14</sup>.

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<sup>13</sup> TCQ Main Findings p18.

<sup>14</sup> 77% of women were "very concerned" about fairness compared with 63% of men, and 75% of women were "very concerned" about affordability compared with 60% of men. Women were also more likely than men to report that none of the trips they make on major roads at peak times are discretionary.



## How access and equity are addressed in the Bill

63. Two sub-clauses in the Bill touch on equity. Scheme boards are required to produce scheme impact assessments which must set out and explain:

- “the expected impacts on key communities of interest, including the economic, social, cultural, and environmental impacts” [65Z(2)(c)]
- “any measures in the proposal designed to address negative network and distributional impacts”. [65Z(2)(d)]

64. However, while impact assessments must set out any measures that have been included in proposals to address negative impacts, there are no requirements for proposals to contain such measures [65D(2)]. Proposal requirements are limited to scheme and charging areas, maximum charges and the times when charges will apply, how charges will be billed and collected and how revenue will be allocated.

65. That suggests that rather than containing specific measures to address negative impacts, any changes are likely to be limited to adjustments to the proposed scheme and charging areas (and potentially the maximum charge). This is consistent with the Cabinet paper on the Bill, which envisaged these measures would be confined to potential changes to scheme footprints<sup>15</sup>.

66. This is too narrow an approach to address the scale of equity issues for people who need to drive at times when time of use charging might apply.

## Proposed changes to address access and equity

67. The AA considers potential adverse access impacts are the biggest barrier to successfully implementing time of use charging in New Zealand. We think the following changes need to be made to the Bill to overcome this:

- i. charges need to take into account people’s ability to respond (as set out in recommendation 10 above)

<sup>15</sup> Land Transport Revenue Action Plan: Time of Use Charging, (July 2024) paragraph 49, page 9.

- ii. revenue needs to be prioritised for transport network changes to mitigate scheme impacts and make schemes more effective and equitable, and these network changes need to be included in scheme proposals
- iii. scheme boards should consider whether measures to address any significant adverse access impacts should be included in proposals and
- iv. scheme boards should report on how a scheme's actual distributional impacts compare with the scheme proposal's impact assessment, and distributional impacts should be included as a ground for Ministerial concern with scheme's performance

*Network changes need to be prioritised to improve scheme effectiveness and fairness*

68. The AA agrees that time of use charging revenue should be allocated first to meet the reasonable costs of establishing, operating and monitoring a scheme as proposed under [65S (1)(a)-(c)].
69. 65S(2)(a) proposes that the balance of revenue must be invested "in land transport activities within the scheme region in a way that contributes to an effective and efficient and safe land transport system in the public interest".
70. The AA agrees that, after covering core scheme costs, all remaining revenue should be invested in land transport activities in the scheme region. However, we think scheme-related transport investment (or supporting transport investment) needs to be prioritised over other regional transport investment.
71. We note that the Cabinet paper which secured policy decisions on the Bill states that "evidence from overseas suggests that it is essential for the revenues to be invested in a way that those paying the charge will see as delivering additional local benefits..."<sup>16</sup>. The AA agrees with this statement.
72. A typical example of this kind of supporting transport investment is funding for new public transport routes and more frequent services on existing routes. This can be needed both to meet extra demand from road users switching to public transport and to provide reasonable alternatives where there are clear network gaps<sup>17</sup>. Other examples are funding for roading improvements to address displaced congestion around scheme boundaries<sup>18</sup> and for park and ride facilities<sup>19</sup>.
73. Supporting transport investment is clearly needed to make schemes more effective and equitable both for people paying the charges and for people who are otherwise impacted by schemes.
74. The much greater reliance on car trips in NZ cities means this investment will be essential to making time of use charging work here. We have no doubt it will also be a key element in securing sufficient public acceptability for any proposed scheme.

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<sup>16</sup> Land Transport Revenue Action Plan: Time of Use Charging, (July 2024) paragraph 22 page 5, <https://www.transport.govt.nz/assets/Uploads/Time-of-Use-Charging-Cabinet-Material-Proactive-Release.pdf>

<sup>17</sup> For example, London significantly increased bus services, particularly the frequency of services entering central London to meet the extra demand from drivers switching to public transport when congestion charging went live 2018 *Review of international road pricing schemes, previous reports and technologies*, D'Artagnan Consulting report prepared for Ministry of Transport, p33).

<sup>18</sup> London also upgraded its inner ring road network which formed the boundary of the congestion charging area (2018 *Review of international road pricing schemes, previous reports and technologies*, D'Artagnan Consulting report prepared for Ministry of Transport, p33).

<sup>19</sup> The Tri-State Transportation Campaign reports that when congestion pricing went live, Singapore added 15,000, London 8,500 and Stockholm 2,800 park and ride spaces.

75. Accordingly, amendments are needed not just to prioritise investment in transport activities that support and enhance time of use charging schemes but to incorporate these activities in the core elements of scheme proposals.

**Recommendation 11:** Replace 65S(2) with the following clauses:

“The balance of revenue must be invested in land transport activities (such as activities involving state highways, local roads, public transport, and active transport) within the scheme region in a way that contributes to an effective, efficient and safe land transport system in the public interest, in the following priority order:

- (a) to improve the effectiveness and equity of the scheme for those paying or otherwise impacted by the charge;
- (b) to priorities in the Regional Land Transport Plan”;

Making this change will also require consequential amendments to the provisions which set out the requirements for the investment approach for proposed schemes:

Add the words “65S(2) and” between the words “with” and “the purpose of the Act” in both sub-clause 65D(2)(i) and 65H(2)(h).

**Recommendation 12:** Add a new sub-clause to 65D(2) to require scheme proposals and proposed variations to schemes to include planned changes to mitigate the impacts of the proposal on the State highway, local road and public transport networks.

*There needs to be scope to consider whether additional mitigation measures are needed*

76. The AA’s view is that for time of use charging to be successful here the Bill needs to provide the scope for additional mitigation to be considered in limited circumstances.
77. We appreciate that from an economic perspective everyone should pay the same according to their road use but the impacts for different road users will be far from the same. The cumulative financial impact of time of use charging<sup>20</sup> for people who need to drive at both peak times every day will be significant for many individuals and households.
78. There are usually very few practical alternatives to driving for people living in peripheral suburbs and working in sectors that are for the most part located outside main centres (e.g. industry, construction, suburban businesses). Moreover, many of the people with these types of commutes are on low incomes.
79. The TCQ work included the most substantial work on the social impacts of time of use charging undertaken in New Zealand to date. TCQ found that if congestion charging was introduced in Auckland:
- “...a significant number of households may face an unavoidable increase in transport costs that would cause a financial burden, which illustrates the need for mitigation measures”<sup>21</sup>.*

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<sup>20</sup> TCQ modelled congestion charges of \$3.50 between 7:30 and 8:30am and between 4:30 and 6:00pm in 2020. This equates to \$4.32 in today’s dollars. Allowing for additional congestion impacts from population growth over this period, it is reasonable to assume a time of use charge would need to be \$5 to achieve a meaningful reduction in congestion. That would mean fulltime workers with no ability to change their work start or finish times and no realistic public transport options would need to pay \$50 a week. In households with two workers who meet these criteria, it would equate to \$100 per week.

<sup>21</sup> The Congestion Question (2020), Main Findings, p21.

80. TCQ recommended that mitigation measures include daily charging caps and concluded that additional support would be required for vulnerable households and disability and mobility users<sup>22</sup>. This type of support is common across pretty much all international schemes<sup>23</sup> apart from Singapore.
81. The LTMA allows mitigation measures for toll road proposals. Section 46(3)(c) enables Orders in Council to include exemptions from tolls and section 46(3)(b) for tolls to be levied at different rates for different “classes of person”. Given the much more significant access impacts from time of use charging, it is unclear why the Bill is not providing similar flexibility for time of use charging.
82. The AA appreciates that an excessive focus on equity risks undermining scheme effectiveness and adding unnecessary complexity to scheme administration. However, our view is that, in common with international schemes, limited mitigation measures can be implemented with minimal impacts on either of these factors.
83. We think a process is needed to allow scheme boards to consider whether any mitigation measures are needed and to provide public input into and scrutiny of any measures that it is considering. If a Board proposes mitigation measures, we think the Minister should be able to assess whether they are likely to have any material impacts on scheme effectiveness or administration. We also think there needs to be ongoing transparency of any approved mitigation measures.
84. This can be achieved by making amendments to include any proposed mitigation measures in public consultation on scheme proposals, in the final proposal submitted to the Minister, and if approved, in the Order in Council establishing a time of use charging scheme.

**Recommendation 13:**

Replace the current 65Z(2)d with the following: “what mitigation measures – including caps, exemptions and discounts have been considered to address negative distributional impacts and why those measures have been included in or excluded from the scheme proposal”.

Add a new clause 65D(4) requiring that any proposed measures included in scheme proposals to address significant adverse access impacts must be carefully designed and targeted to avoid compromising scheme effectiveness and efficiency.

Add a new sub-clause 65H(2)(d) between the current sub-clauses (c) and (d) to require that any approved mitigation measures must be included in the Order in Council.

<sup>22</sup> TCQ (2020), Main Findings, p21.

<sup>23</sup> London exempts National Health Service vehicles, vehicles used by disabled people that are exempt from the UK’s vehicle tax, gives 100% discounts to accredited breakdown vehicles and 90% discounts to residents who live within the congestion charging zone, and eligible NHS staff, patients, charity and care home workers may be eligible for reimbursements. London also has a daily cap of one trip. [Discounts and exemptions for Congestion Charge and Blackwall and Silvertown tunnels charge - Transport for London](#).

New York has a 50% for anyone earning under USD 60,000 (NZD\$104,000) after 10 trips in a calendar month. Low income residents within the “congestion relief zone” are also eligible for tax credits, disabled people who can’t use public transport are exempt. New York also has a daily cap of one trip. [Congestion Pricing NY Toll Discounts & Exemptions](#) and [Low Income Discount Plan Congestion Pricing NY Toll Discounts & Exemptions](#).

Gothenburg exempts residents in a part of the city that it considered were unreasonably affected by the charging scheme. [Frequently asked questions about the exemption for congestion tax in Backa, Gothenburg - Transportstyrelsen](#) [Congestion tax in Gothenburg - Transportstyrelsen](#). Stockholm has a maximum daily charge [Congestion taxes in Stockholm and Gothenburg - Transportstyrelsen](#).

### *Reporting obligations of Scheme Boards*

85. The AA supports the requirement for scheme boards to produce annual scheme reports and the proposed scope of those reports [65Y]. To help inform whether any adjustments are needed to mitigate negative distributional impacts we think there needs to be an additional requirement for boards to report on how actual distributional impacts compare with the scheme proposal's assessment.

**Recommendation 14:** Add a new 65Y(4)(b): the actual distributional impacts compared to the expected distributional impacts set out in the scheme impact assessment under 65Z.

### *Minister's concerns with scheme*

86. The Bill sets out the grounds on which the responsible Minister can notify a scheme board of their concerns with a scheme [65M(1) and (2)]. The AA supports these clauses but considers an additional ground needs to be included for a Minister to notify a Board if they are concerned with the scale of a scheme's negative distributional impacts.

**Recommendation 15:** Add a new 65M(1)(c): "is causing unacceptable distributional impacts".

## Final comment

87. The AA thanks the committee for considering our submission. We request the opportunity to present the key points in person and answer any questions the committee has on our recommendations when hearings are held on the Bill.

Yours sincerely



Martin Glynn  
Policy Director  
[mglynn@aa.co.nz](mailto:mglynn@aa.co.nz)

## Clause-by-clause recommendations

Clause	Rec #	Recommendations
65B	1	Amend to align with the core requirement for time of use charging proposals in 65D by deleting the words after “scheme flow”
65D	10	Amend 65D(2)(d) as follows: “the maximum charges proposed for each charging class of vehicle which must be: i. consistent with regulations made under section 65ZH) and ii. take into account road users’ ability to respond to time of use charges through time and mode changes”
	9	Add the following words at the end of 65D(2)(f): “...which must be based on an assessment of how charges may need to change to maintain the scheme proposal’s anticipated change in service level as set out in 65D(3)”.
	11	Add the following words to 65D(2)(i) “65S(2) and” between the words “with” and “the purpose of the Act”
	12	Add a new clause 65D(2)(j) to require scheme proposals and proposed variations to schemes to set out planned changes to mitigate the impacts of the proposal on the State highway, local roads and public transport networks.
	13	Add a new 65D(4) requiring that any proposed measures that are included in scheme proposals to address any significant adverse access impacts must be carefully designed and targeted to avoid compromising scheme effectiveness and efficiency.
65F	5	Add a new clause between the current (b) and (c) requiring confirmation that the scheme proposal has been endorsed by the Agency Board and all local authorities who are represented on the scheme board.
65G	2	Add a new sub-clause to align with the approval process for toad tolling schemes in s48(1)(b) of the LTMA – the Minister must be satisfied with the degree of community support of the proposal.
65H	13	Add a new sub-clause 65H(2)(d) between the current sub-clauses (c) and (d) to require that any approved mitigation measures must be included in the Order in Council.
	11	Add the following words to 65H(2)(h) “65S(2) and” between the words “with” and “the purpose of the Act”
65I	7	Amend by replacing references to “the Agency” with references to “scheme board”.
65J	7	Amend by replacing references to “the Agency” with references to “scheme board”.
65M	15	Add a new 65M(1)(c): “is causing unacceptable distributional impacts”.
65S	11	Replace [65S(2)] with the following clauses: “The balance of revenue must be invested in land transport activities (such as activities involving state highways, local roads, public transport, and active transport) within the scheme region in a way that contributes to an effective, efficient and safe land transport system in the public interest, in the following priority order: (a) to improve the effectiveness and equity of the scheme for those paying or otherwise impacted by the charge; (b) to priorities in the Regional Land Transport Plan”;
65V	6	Amend 65V(1) to enable a scheme board in Auckland to include Auckland Transport.
	4	Amend 65V(4) to require the Agency and local authority representatives to agree and appoint an independent person to Chair the scheme board.
65W	8	Add an additional clause to allow scheme boards to delegate any of their functions and duties to organisations that are represented on the board.
65X	3	Amend to require investment agreements to be made between NZTA and local authorities rather than the Minister and local authorities.



Clause	Rec #	Recommendations
65Y	14	Add a new 65Y(4)(b): the actual distributional impacts compared to the expected distributional impacts set out in the scheme impact assessment under 65Z.
65Z	13	Add the following new 65Z(2)d: “what mitigation measures – including caps, exemptions and discounts have been considered to address negative distributional impacts and why those measures have been included in or excluded from the scheme proposal”.