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Submission on Penlink Tolling Proposal

Overview

1. The NZ Automobile Association (AA) appreciates the opportunity to comment on the Waka Kotahi Penlink tolling proposal.
2. The AA does not support tolling Penlink solely for maintenance and operational purposes. The National Land Transport Fund (NLTF) remains fundamentally a user pays system and maintenance (and safety) must be the first calls on these funds. Citing NLTF pressure as a key reason for tolling the road and potentially other new state highways to pay for these costs, gives the appearance of a quick fix for a much bigger problem, particularly while an extensive revenue review is underway to address this pressure.
3. The AA also opposes charging Penlink users a toll to address “travel time reliability”. Waka Kotahi Tolling Policy states that the Land Transport Management Act does not provide for establishing a toll for travel demand or congestion management purposes. The combined impact of significant tolls for commuters, diverting substantial traffic on to Whangaparāoa Road, and a very minor increase in public transport trips, does not represent an optimal balance of revenue, network outcomes and user costs.
4. Congestion at the western end of Penlink appears to be largely due to growth in the surrounding area rather than demand for travel on Penlink. A change in sequencing through earlier provision of the planned full diamond motorway interchange is needed to maximise the benefits of the investment and to avoid exacerbating a separate problem. This would also avoid a further inequity in making the Redvale ramps the only tolled motorway ramps in New Zealand, particularly given they will be used by many motorists who do not wish to travel on Penlink.
5. The AA’s 2020 submission on the Waka Kotahi Puhoi to Warkworth tolling proposal, noted changes in the purpose of Waka Kotahi tolling proposals were occurring in a strategic vacuum. This remains the case today. The AA’s view remains that a clear strategic basis for tolling, informed by the revenue review, needs to be in place before specific tolling initiatives like Penlink are brought to the table.

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Introduction

6. This submission has been shaped by feedback from the AA's Auckland District Council, which in turn reflect the views of the AA's more than 330,000 Auckland Members, a number of whom will be regular users of the new highway.
7. The AA supports tolling where:
 - toll revenue will enable new roads to be built earlier than would be possible with National Land Transport Funds (or, as has been the case more recently, taxpayer funds) and
 - where the proposed toll strategy will achieve a positive overall network outcome across both the new road and the alternative route(s).
8. Previous Waka Kotahi tolling proposals have focused on generating toll revenue to contribute to the construction costs of a new road. Tolling of Penlink has also previously been proposed for this purpose. The construction of Penlink is now fully funded by the government as part of the NZ Upgrade programme. Waka Kotahi is proposing Penlink be tolled to cover the costs of maintaining and operating the road and to support travel time reliability and is undertaking formal consultation on this proposal.

Tolling for maintenance and operation costs

9. The AA notes Waka Kotahi advice to the Minister of Transport that it expects the costs of maintaining and operating Penlink to be higher than the standard costs for a connector road of this type. However, Waka Kotahi has not provided any estimate of what these costs are likely to be other than to note that tolling revenue is expected to be sufficient to cover these costs along with the costs of toll collection.
10. Waka Kotahi has also stated that "over the last fifteen years, all discussion and planning towards this road has assumed tolling to meet these relatively high maintenance and operation costs". This may be the case in respect of internal discussions, but the AA is not aware of any information either in the public domain or that had been shared with stakeholders on tolling the road to fund these functions prior to Waka Kotahi announcing its proposal on 14 January.
11. The AA agrees with Waka Kotahi that the National Land Transport Fund (NLTF) is under increasing pressure to fund transport improvements across the country. However, we do not agree that Penlink and potentially future new state highways should be tolled to pay for their maintenance and operation (and therefore effectively become permanent toll roads) to address this pressure.
12. Tolling primarily for maintenance purposes directly contradicts the purpose of the land transport revenue system. Despite significant changes in recent years, the NLTF remains fundamentally a user pays system – road users pay petrol taxes and road user charges based on their road use. Road maintenance (and safety) must be the first calls on these funds. It is inequitable to single out Whangaparāoa motorists (and potentially other new State Highway users) to pay twice for the costs of maintaining and operating their roads. Why should motorists in some locations be required to pay tolls to use their new State Highway, while those in other places, Waikato and Wellington, for instance, do not? The consultation material is silent on this issue.

13. Penlink is also included in the list of projects to receive capital expenditure from revenue in the Land Transport Management (Regional Fuel Tax Scheme – Auckland) Order 2018. Following the government’s NZ Upgrade announcement two years ago, this money will no doubt eventually be reallocated to other projects. In the meantime, residents are paying regional fuel tax to help fund the construction of a project that is now fully funded, as well as contributing to the project as general taxpayers, and paying petrol taxes, road user charges, motor vehicle registration fees and rates to support maintenance of the Peninsula’s road network.
14. Re-pitching tolling to fund Penlink’s maintenance and operation and citing NLTF pressure as a key reason for this, gives the appearance of a band-aid for a much bigger problem. An extensive revenue review is underway to address short and medium term pressures on the NLTF, and ultimately, to develop a transport funding system that is fit-for-purpose for the longer term. This suggests to us now is not the right time for convoluted and inequitable additions to the system.
15. It is also unclear whether separately accounting for maintenance and operation of Penlink would be administratively efficient. To meet public transparency standards, it would be important for Waka Kotahi to report separately how the revenue it collects from toll payers is being applied against the costs of maintaining and operating the road (and for any other new State Highways it tolls solely for these functions). The tolling strategy is expected to generate net revenue in the order of \$7.7m per annum. The AA questions whether the costs of accounting for and reporting this revenue and costs separately from other State Highway maintenance costs are justified given the relatively small sums involved.

Tolling for demand management

16. The AA is concerned on several fronts that the primary, if unstated, reason for the proposal is demand management. We note the Waka Kotahi media release announcing the proposal expresses it this way “tolling would help to provide more reliable journeys by reducing travel times. It would *also* contribute to the cost of maintaining the road so it remains safe and resilient” (emphasis added). Similarly, the Waka Kotahi Penlink Tolling brochure cites shorter travel times as the first benefit of the proposed tolls.
17. The toll modelling for the preferred strategy, which is described as a “demand response”, estimates that without tolls around 25,500 vehicles a day would use Penlink. Without tolls in place, congestion near the western end of the road at the East Coast Rd roundabout and on the ramps connecting Penlink to the Northern Motorway results in poor travel times for Penlink users at peak periods and particularly in the evening peak.
18. With the preferred tolling strategy in place, an estimated 4,800 trips are suppressed and a further 8,400 divert back on to Whangaparāoa road. This addresses peak period congestion on Penlink and therefore results in substantially better travel times for people willing to pay the toll. Daily trips on Whangaparāoa Road are projected to increase from 18,900 vehicles if Penlink was untolled to 28,000, although this remains substantially less than 2018 traffic volumes of 39,500 a day.
19. The strategy is predicted to more than halve average trips on Penlink from 25,500 trips to just under 9,300 trips a day. It is therefore difficult to see the toll proposal as anything other than driven by demand management.

20. We note Waka Kotahi Tolling Policy states that:
the Land Transport Management Act does not provide for establishing a toll for travel demand or congestion management purposes. Although as part of the assessment and development of a tolling scheme, the impacts of tolling on the wider transport network must be considered, this will occur within the context of potential benefits or dis-benefits that relate specifically to the financial viability and effectiveness of the project
21. Penlink is fully funded by the Government so financial viability is not a reason for considering the impact of tolling on the wider network. Moreover, it is disingenuous to cite the affordability of maintenance costs for seven kilometres of new State Highway when there is ample time to address this ahead of the 2024-27 NLTP.
22. The projected congestion at the western end of Penlink means there is a clear need to improve the effectiveness of the project. However, we note that the toll modelling shows that off-peak travel time savings with tolls in place are negligible for all westbound traffic in 2028 and less than two minutes in 2038 for eastbound traffic. This suggests to the AA there is no reason for tolling outside of peak times to improve Penlink journey time reliability.
23. While peak tolls will address congestion, the right question to ask is what is the best way to improve the effectiveness of the project? It seems odd to be building a new \$830m State Highway which will have insufficient capacity at one end when it opens. (In recent years, the AA can only recall one other recent example of this occurring – the State Highway 20 Manukau extension connection into State Highway 1. The unacceptable traffic congestion immediately resulted in new works to provide additional capacity on State Highway 1).
24. The toll modelling is heavily premised on the “current design”. It is notable that without tolls the modelling shows that travel times improve substantially in 2048 with the construction of the full diamond interchange. This allows Penlink users direct access to State Highway 1 north, along with completed access from the Penlink interchange to Dairy Flat.
25. The congestion problems appear to be more due to growth in the surrounding area, including Dairy Flat, than demand for travel on Penlink. This begs the question why not build the full interchange and access as part of the project to fully unlock the benefits of both Penlink and the wider area? The AA appreciates the very late sequencing of the full interchange may relate to the *Supporting Growth programme’s* planning and timing. However, this would seem to us to be a clear example of a combination of growth pressures and new transport infrastructure necessitating a change in sequencing of other priorities both to maximise the benefits and to avoid exacerbating a separate problem.

Tolling the motorway ramps

26. An additional equity issue raised in the Toll Modelling report is whether the motorway ramps to be constructed as part of Penlink should be tolled. These ramps will be used by surrounding communities, particularly Dairy Flat residents to provide access to and from the Northern Motorway but most of those trips will not include travel on Penlink itself. The report rightly identifies that from a regional perspective it is inequitable that these be the only tolled motorway ramps in Auckland (or NZ for that matter) but on balance concludes tolling is justified for the travel time benefits.
27. The AA does not support singling out the ramps for tolling for equity reasons and particularly given many motorists using the ramps will not be using Penlink itself. Moreover, as noted

above, we consider changes should be made to the current design to avoid congestion when the road opens.

Balancing revenue, outcomes and user costs

28. The Toll Modelling report concludes that the proposed Toll Strategy balances increased revenue, diminishing returns on outcome measures and costs to users.
29. This submission has questioned whether the projected net \$7.7m in net annual revenue in 2028 is sufficient to merit tolling Penlink. Subtracting net revenue from gross revenue, which is estimated at \$12.1m, implies total toll collection costs of 36 percent. It is therefore also questionable whether this represents value for money.
30. The AA also has doubts whether collecting toll revenue solely to fund the costs of maintaining and operating Penlink is consistent with the Waka Kotahi Tolling Policy that toll revenue must make a meaningful contribution to the road's cost. Similarly, we note that the modelling indicates, at least on opening day, Penlink is unlikely to meet the Waka Kotahi Tolling Policy test of a minimum of tolling of 10,000 vehicles per day.
31. In terms of reduced outcomes, as noted, the estimated travel time savings on Penlink are primarily the result of the toll diverting trips which would otherwise be made on Penlink on to Whangaparāoa Road. The toll modelling finds this results in significantly quicker times for motorists paying the toll at peak times, and counterintuitively, marginally improved times for motorists on Whangaparāoa Road. The AA acknowledges that with the tolls in place, projected daily trips on Whangaparāoa Road are projected to still be around 11,500 less than the most recent (2018) estimate. However, we question whether it is realistic to assume travel time on Whangaparāoa Road will improve rather than get worse with tolls on Penlink compared to an untolled road.
32. The Toll Modelling Report assesses accessibility as an outcome based on travel time and travel time consistency along key corridors on the network. The AA notes the comments from the independent peer review that the 4,800 daily trips expected to be suppressed by tolling only results in a modest mode shift to public transport (estimated to be around 150 trips per day) and that this indicates an overall reduction in accessibility. (It is acknowledged that the Modelling report also notes some commuters who currently drive to the Silverdale Park and Ride station will switch to buses on Penlink).
33. In terms of costs to users, the Toll Modelling Report states that unlike other toll roads, Penlink is expected to be primarily used by commuters who will therefore face the cumulative costs of repeated trips (e.g. commuters who use the road to travel to work and back in peak periods five days a week would need to find \$40 per week). The report notes further assessment is needed of motorists' cumulative willingness to pay. It is unclear what, if any, further work Waka Kotahi has done to assess the impact of this both on the financial viability of the toll proposal and the wider accessibility implications.
34. The AA does not consider the combined impact of significant tolls for commuters, diverting substantial traffic on to Whangaparāoa Road, and a minor increase in public transport trips, represents an optimal balance of revenue, outcomes and user costs.

Continued need for National Tolling Strategy

35. Since the tolling legislation was passed, tolling proposals have shifted from raising funds needed to bring projects forward, to helping repay projects that are already funded and underway (Puhoi to Warkworth), and now with Penlink proposal, to tolling solely to fund the ongoing costs of maintaining and operating a new State Highway.
36. In our 2020 submission on the Waka Kotahi proposal to toll the Puhoi to Warkworth extension of the Northern Motorway, the AA noted these changes were occurring in a strategic vacuum – there is no vision for tolling or road map for how it might look in future decades. Waka Kotahi Tolling Policy sets out the process for individual project decisions but our submission noted there was no statement about the role that tolling plays in project funding and delivery (let alone ongoing maintenance and operation), and why it might be seen as a fair and practical mechanism. There was also no explanation for how critical issues like equity (when some parts of the country have their new highways tolled, but others do not) will be managed. Nor was there any explanation for how tolling aligns, or could align, with future transport funding tools, in particular a shift to distance-based charging.
37. None of these matters have subsequently been addressed. Meanwhile, as noted, an extensive review of the land transport revenue system is underway. The AA's view remains that to avoid 'cart-before-the-horse' transport planning these strategic elements need to be in place before specific tolling initiatives like Penlink are brought to the table.

Conclusion

38. Prior to the government's decision to fund Penlink's construction, the AA had had anticipated engaging with our Members (especially those on Whangaparāroa Peninsula) on a tolling proposal focused on providing revenue for a defined period to support earlier construction of the road. It could have been well supported.
39. This is vastly different from the Waka Kotahi proposal to toll Penlink to fund the costs of maintaining and operating it. The AA does not support tolling solely for these two purposes and is specifically opposed to tolling the new State Highway 1 ramps, which will be built as part of the project.
40. The NLTF remains fundamentally a user pays system – road users pay petrol taxes and road user charges based on their road use. Road maintenance must be the first call on these funds. Re-pitching tolling to fund Penlink's maintenance and operation and citing NLTF pressure as a key reason for tolling the road and potentially other new state highways, gives the appearance of a quick fix for a much bigger problem, particularly while an extensive revenue review is underway to address this pressure.
41. The AA opposes charging Penlink users a toll to address "travel time reliability". The tolling strategy is predicted to more than halve average daily trips on Penlink with substantial trip suppression and diversion on to Whangaparāroa road. We note the proposal appears to contravene Waka Kotahi Tolling Policy which states that the Land Transport Management Act does not provide for establishing a toll for travel demand or congestion management purposes.
42. The AA considers the combined impact of significant tolls for commuters, diverting substantial traffic on to Whangaparāroa Road, and a very minor increase in public transport trips, does not

represent an optimal balance of revenue, outcomes and user costs.

43. The congestion problems appear to be due to growth in the surrounding area rather than demand for travel on Penlink. A change in infrastructure sequencing is needed to address these growth pressures and maximise the benefits of the very significant construction investment. Provision of the planned full diamond State Highway 1 interchange from Day 1 is a more sensible and effective solution than a tolling strategy which would seek to cut demand for use of the road by almost two-thirds and toll motorists who are not otherwise travelling on Penlink.
44. Changes in the purpose of Waka Kotahi tolling proposals are continuing to occur in the absence of a tolling strategy or wider connection to the land transport revenue review. The AA's view is that these strategic elements need to be in place before specific tolling initiatives like Penlink are brought to the table.
45. Thank you for the opportunity to submit. We are very happy to meet with the team handling this proposal at any point to discuss our views in more detail.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Glynn', written in a cursive style.

Martin Glynn
Principal Adviser - Advocacy
NZ Automobile Association