

Report 99.329

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Report to the Policy and Finance Committee
By Dr Dave Watson, Divisional Manager Transport

1999/2000 Annual Plan Transport Item - Completing a Road Pricing and Public Transport Funding Study

1. Purpose

To provide information on the “Road Pricing and Public Transport Funding Study” as requested by the Policy and Finance Sub-Committee, that heard the 1999/2000 Annual Plan submissions.

2. Background

The justification for the study was raised at the 11 June 1999 Policy and Finance Sub-Committee meeting in relation to the Annual Plan submission made by Wellington City Council. Wellington City Council questioned the need for the study given the current government's proposals for road reform.

At the same time Wellington City Council also questioned why the Regional Council was not investigating the use of a regional petrol tax to fund additional transport infrastructure. These two statements are perhaps contradictory, increasing tax on petrol is a crude form of road pricing.

The specific project was identified in the Transport Division’s Business Plan that went before the Passenger Transport Committee and subsequently the Policy and Finance Committee for inclusion in the draft 1999/2000 Annual Plan. The Divisional Business Plan listed the project as follows:

Short Term Project/Service	Timeframe	Budget	Short Term PI
Road Pricing Public Transport Funding Study	June 2000	\$100,000	Report to Committee by June 2000

At the Policy and Finance Sub-Committee meeting on 11 June 1999 reference was made to the fact that the project was not given a short term performance indicator. Several projects from all parts of the draft Annual Plan are shown without a performance indicator. This has been the practice of the Council for several years. However, all these projects will have a performance indicator shown in their respective Business Plans.

... The draft Regional Land Transport Strategy has a section on ‘Pricing’ Page 14 : (**copy attached**). The last paragraph of that section reads:

“At this stage a detailed proposal for pricing has not been put forward. If there is a basic agreement that enhancements should be funded through pricing, the Regional Land Transport Committee will develop a range of approaches to pricing and levels at which they might be set. A mandate will then be sought for its introduction.”

The draft Regional Land Transport Strategy also has two of its five objectives associated with road pricing. They are “Economic Efficiency” – to ensure that all users of land transport are subject to pricing and non-pricing incentives and signals which promote decisions and behaviours that are, as far as possible, in accordance with efficient use of resources and optimal benefits to the user and “Affordability” – to plan for a land transport system that recognises funding constraints and ability to pay.

... Linked to these two objectives are a series of themes and policies on pricing (**pages 25 and 26 attached**). Under the objective of “sustainability” there is a policy on pricing (**page 30 attached**). Finally in the section called “Regional Transport Corridor Plans” there is a section labelled – Road Pricing (**page 32 attached**). The final sentence of this section reads:

“Careful consideration of the mechanism of road pricing is now required.”

3. Comment

This study seeks to address two separate but potentially related issues that have arisen as key issues in the draft Regional Land Transport Strategy. These issues are the introduction of road pricing and the funding of a higher level of public transport investment than has been funded in recent years.

The implementation of a road pricing regime is not a straight forward issue, particularly if the road pricing regime is to produce outcomes that are consistent with the objectives of the Regional Land Transport Strategy; namely

- accessibility and economic development
- safety
- economic efficiency
- affordability
- sustainability

At this stage in the Regional Land Transport Strategy work, the analysis has shown that different regimes of road pricing are not neutral with respect to the above objectives. There remains an important piece of work which will define a road

pricing package that meets the objectives of the Regional Land Transport Strategy. This point has been understood by a number in the community as some of the early submissions on the draft strategy comment on it

The scope of the road pricing component of the study includes the following:

- (i) Determination of the optimum mix of pricing ie. point tolls, toll cordon, petrol tax, parking charge or a mixture
- (ii) Determination of pricing levels ie. fund infrastructure, manage induced traffic travel demand management or regional economic impacts
- (iii) Determine which agency(s) should be responsible for road pricing
- (iv) Investigate whether road pricing requires structural change ie. will it be more appropriate to set up a regional transport authority or some other mechanism
- (v) Identify any legislative issues with road pricing
- (vi) Determine the optimum combination of road pricing and network investment decisions
- (vii) Develop road pricing strategies with multiple investments in network projects
- (viii) Identify appropriate mechanisms to hypothecate road pricing to fund passenger transport

Different road pricing mechanisms will produce a variety of impacts. Road pricing will provide a source of revenue that will assist the funding of new infrastructure and services but that will not be its only impact. A decision on the optimum mix of road pricing mechanisms will need to consider how the mix will also impact on other objectives of the Regional Land Transport Strategy. It is clear that tolling on its own will not be sufficient to fund all the proposed infrastructure.

The Regional Land Transport Strategy work to date established as a general principle that road pricing at a level to fund infrastructure produced the best economic development potential and the greatest economic efficiency. However, it was apparent that in some cases new infrastructure had significant induced traffic consequences or that in some specific locations environmental conditions such as air quality required different levels of road pricing to manage these effects. Further investigation is required to establish suitable criteria for road pricing in this context that is consistent with the wider objectives of the Regional Land Transport Strategy.

The Regional Land Transport Strategy identified that there is a strong interdependent between road investment in one part of the network and other parts of the network and that this interdependence also involves passenger transport provision. The analysis to date has indicated that this interdependence also includes road pricing. A change in some of the road and or public transport investment decisions will have an impact on the levels and mechanisms of road pricing required.

Most current overseas applications of road tolling to provide new infrastructure are in contexts where there is minimal network interdependence. In the Wellington situation where potentially a number of projects might be funded by tolling and there is strong network interdependence careful consideration of interacting projects and interacting toll regimes is required otherwise the required revenue streams may not be achieved.

The Regional Land Transport Strategy has identified a need for higher level investment in passenger transport if the objectives of the strategy are to be achieved. Rate funding would impose a large burden on the ratepayer and it is likely that this mechanism will have adverse impacts on the region's economy. Other mechanisms, which may include but are not limited to road pricing, need to be investigated. This,

for example, might include trying to directly capture some of the commercial benefits of a passenger transport benefit.

4. **Recommendation**

That the report be received and the information noted.

Report prepared by:

DAVE WATSON
Divisional Manager, Transport

Attachments (5)