

6 January 2025

Committee Secretariat
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Transport and Infrastructure Committee
Parliament Buildings
Wellington

Submission from the Manawatū District Council on the Land Transport (Revenue) Amendment Bill

Manawatū District Council (MDC) thanks the Transport and Infrastructure Committee for the opportunity to submit on the Land Transport (Revenue) Amendment Bill. MDC represents a largely rural district in the Manawatū-Whanganui region, with communities that could be impacted by the O2NL and any future roads of national significance (RONs). We acknowledge the Bill's intent to strengthen user-pays funding tools for transport, and we support in principle the goal of sustainable transport funding. However, we urge that these tools be implemented in a manner that is equitable and mindful of local impacts. In this submission, we outline our key concerns regarding the Bill's tolling framework (especially as it relates to O2NL and future RONs) and the proposed Road User Charges (RUC) reforms, evaluate how the Bill addresses those concerns, and recommend further measures to ensure the legislation works fairly for districts like Manawatū.

Toll Revenue Provisions- Alternative Routes and Regional Reinvestment

Council acknowledges and supports the Bill's recognition that toll revenue may be applied to the maintenance or operation of an alternative route, reflecting the need to reinvest user-pays contributions into the broader transport network. In the context of significant fiscal constraints on local authorities, this flexibility is both timely and necessary to ensure that essential alternative routes can be adequately maintained when new toll roads are introduced.

However, MDC is concerned that proposed section 48(5) imposes an unduly stringent precondition on this funding mechanism. Section 48(5) provides that the Minister "must not recommend that a road tolling scheme be established to provide funds for an [alternative route] unless the Minister is satisfied that the road controlling authority is unable to fund the maintenance or operation of the road or roads itself." In other words, even if including the alternative route in the tolling scheme would be prudent or equitable, the Minister is statutorily barred from recommending such a scheme unless the relevant local road authority is demonstrably incapable of funding that route's upkeep from its own resources. This is a high threshold: it suggests that only in cases of clear financial incapacity of the local authority could toll revenues be applied to an alternative route. The Council appreciates the intent to target toll revenue use to genuine need, but we submit that the chosen test of "unable to fund" sets the bar so high as to frustrate the provision's practical utility.

MDC recommends that the clause is amended to either remove the precondition in subclause (5) or to soften it to a more permissive, discretionary standard. The Council's preferred approach is that the Minister of Transport should be empowered to recommend the use of toll revenue for an alternative route whenever doing so would materially assist in the route's maintenance or operation, having regard to the local authority's funding situation, but without the need to prove an absolute inability to fund.

MDC has previously submitted that toll revenue from projects should be reinvested in regional transport priorities once core project costs are met – for example, ring-fencing surplus toll income to help deliver the Manawatū Regional Freight Ring Road. Council therefore recommends that the Bill go further: toll revenue should be permitted to support other regionally significant projects within the corridor from which it is collected, rather than being confined solely to an alternative route. This broader reinvestment approach would maximize the benefit of tolling schemes for the communities they affect, aligning with the Bill's user-pays funding objectives while directly addressing regional infrastructure needs.

Equity Considerations on Proposed Tolling

MDC considers that equity must be a central consideration when toll charges are set for any future tolling proposals under the amended framework. In rural districts such as ours, toll charges that are set too high, risk imposing undue hardship on households that already face higher travel costs and have limited access to alternative transport options. When determining appropriate toll charges, it is essential that the socio-economic conditions of the communities served by the road are accurately assessed, and that the charges imposed do not disproportionately affect low-income residents or frequent local commuters.

When considering toll charges for any new road, MDC considers it essential that these charges are broadly comparable to those used on similar toll roads elsewhere in New Zealand. Toll proposals that set unusually high charges, or that cannot be clearly justified, raise equity issues for affected communities and may weaken public confidence in tolling as a funding tool.

While the Bill requires that an untolled alternative route be available, MDC notes that the practicality and safety of such alternatives can vary greatly. Relying on alternative routes that cannot withstand larger volumes of traffic, as the "affordability option" for those unable to pay the toll is not, in our view, an adequate equity safeguard. For this reason, MDC recommends that the Committee consider including in the Bill a requirement for toll proposals to include an explicit equity assessment. Such an assessment should identify the likely impacts on low-income communities and high-frequency local users and should outline measures to mitigate hardship. These measures could include capped daily or weekly charges, discounted passes for residents or regular commuters, or exemptions for essential or community-service travel.

In MDC's view, the tolling framework will be most effective and publicly acceptable when toll charges are set in a manner that is fair, consistent nationwide, and sensitive to the economic realities of the communities that rely on the affected corridor.

Impact of Traffic Diversion on Alternative Route

MDC acknowledges that the Bill allows the toll revenue to be used for maintaining existing roads that are part of the tolled scheme, including the alternative route, if the local road controlling authority would otherwise struggle to fund that maintenance. MDC welcomes this amendment as the reinvestments of toll proceeds will support the surrounding network so that local ratepayers are not left carrying the full burden.

MDC seeks clarity on how the “unable to fund” test will be applied to trigger toll revenue usage for alternative routes – we suggest a proactive approach where the default assumption is that local councils will receive support for alternative route maintenance unless they explicitly opt out or demonstrate sufficient funding.

Clarity on Timing of Implementation of Tolling

MDC notes that the Bill does not indicate when tolling must commence relative to the opening of a road. As best practice, MDC suggests that if a new road is to be tolled, a grace period of 2-5 years post-opening during which no tolls are charged should be considered. Council recommended this in our previous submission (concerning a proposal to toll the Te Ahu a Turanga- the Manawatū-Tararua Highway Road) to encourage motorists to habituate to the new highway’s use. MDC considers that establishing travel patterns early is critical. Where drivers immediately resort to old routes to avoid a toll, it may be difficult to bring them back later. However, a temporary toll-free period, coupled with public education about the new route’s benefits, could significantly reduce long-term diversion. We urge the Committee to contemplate either incorporating this principle into the tolling framework or encouraging Waka Kotahi and the Minister to use their discretion to delay toll commencement for a reasonable period on new roads.

Review of Toll Adjustment Methodology

MDC supports Taituarā’s suggestion that the way tolls are adjusted over time should be reconsidered. The costs of building and maintaining roads often increase faster than general living costs, so relying only on a general inflation measure may not be the best fit. We recommend that the Committee consider whether a measure that better reflects actual transport construction costs would be more appropriate, while still ensuring that any toll increases remain fair and manageable for the communities affected.

Road User Charge Reforms

MDC acknowledges that the move towards a more efficient, flexible RUC system is both necessary and largely positive. We support the Bill’s foresight in enabling future transition of light vehicles from fuel excise to RUC, ensuring the long-term funding base for transport is secure. MDC welcomes the innovations stipulated in the Bill that will allow a range of new payment options (including subscription-based RUC payments) and the use of in-vehicle electronic technology to automatically track distance travelled. These improvements will potentially enable greater convenience and could reduce compliance costs overall.

While cautiously supportive of these changes, MDC wishes to highlight a few considerations to ensure the RUC reforms work for rural communities. MDC signals that a shift to electronic RUC and online systems may inadvertently disadvantage those in rural or remote areas with limited internet connectivity or mobile coverage. A number of farmers in our district operate some distance away from our urban centre. The new system should mitigate this by providing offline or low-connectivity solutions. If, for example, in-vehicle GPS-based RUC devices are used, they should not require constant cellular connection to function (or there should be a manual alternative for recording distance when signal is unavailable).

Affordability and Fairness Concerns

As the transition to RUC occurs, it will be vital to monitor the distributional effects on different communities. Rural residents often have to drive longer distances for everyday needs and do not have the public transport alternatives available in the township. If light vehicle RUC is introduced, rural motorists could end up paying more simply due to geography. MDC urges that any future scheme be designed with equity in mind – perhaps through differential rates, rebates, or adjustments in other taxes. At a minimum, revenue from an expanded RUC base should be used to improve rural transport options, recognizing the higher contribution those communities might make. MDC notes that policy work is still to be done on setting appropriate RUC rates and any offsetting measures, and we encourage the Committee to keep rural affordability central to those discussions.

Additional Support for Rural Users

MDC requests for implementation to be accompanied by dedicated support: easy-to-understand guidance, training or helplines for rural users, and potentially a phased rollout. We note that transitioning from paper-based RUC regime to a high-tech system will be a significant change for older drivers and those not accustomed to telematics and there may be concerns about compliance burden if users are required to install devices or learn new apps. We also suggest that the Government consider subsidising or bulk-negotiating the cost of any required on-board units or GPS devices so that individual owner-operators (especially in the provinces) are not hit with high upfront costs to comply.

Privacy and Data Security

MDC notes the two references to privacy in the explanatory note and Clause 46A(2)(d). The explanatory note states that “the Bill makes these requirements less prescriptive by enabling the RUC collector to approve any technology that is “fit for the purpose” while continuing to protect user data and privacy. Clause 46A(2)(d) addresses an order made under Clause 46 and provides that the order may “authorise the enforcement authority to have access to law enforcement information held by a holder agency under the Privacy Act 2020 and set out terms and conditions governing that access”. MDC considers that these provisions in the amended bill partially allays the concerns about privacy particularly around the utilisation of in-vehicle electronic tracking for RUC. It is imperative that clear limits on data collection, retention, and sharing should be established in regulations as building public trust in the new RUC technology will be essential for its success.

In sum, MDC supports the intent of a more flexible tolling framework and an updated RUC system as tools to future-proof transport funding. We, however, emphasise that the success of these tools will depend on how they are implemented on the ground. By incorporating the recommendations above – ensuring transparency, equity, local reinvestment, and support for all users – the Committee can improve the Bill and its outcomes for communities.

To conclude, MDC supports the Bill’s overarching aim of creating a more resilient and sustainable land transport funding system. However, Council reiterates that this objective can only be fully realised if the statutory framework accounts for the realities faced by rural districts and the road controlling authorities responsible for their local networks. The recommendations proposed in this submission particularly the refinement of section 48(5), a more explicit equity lens for toll-setting, clarified expectations regarding diversion impacts, and safeguards for rural users in the transition to an expanded RUC system, are intended to strengthen the Bill’s coherence, fairness, and practical workability. The adjustments will enable the Bill better to align the user-pays principle with the financial constraints borne by local communities and would ensure that tolling and RUC systems operate in a way that supports, rather than strains, the regions in which they are applied. MDC welcomes ongoing engagement with the Committee and officials as the Bill progresses and stands ready to provide further information should that assist the Committee’s deliberations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michael Ford', with a stylized flourish at the end.

Michael Ford

Mayor, JP