

Extract from

**The Wellington Regional Land Transport Strategy
1999 to 2004
'Realistic Transport Choice'**

Forward

A major change is that this Strategy proposes a level of additional road user charges through pricing and levies sufficient to fund new transport projects earlier than they would have been under current funding arrangements. In the longer term the Committee envisages pricing may also be used to manage congestion.

Executive Summary

Public consultation on the Draft Strategy provided support for the enhanced strategy, and for some form of pricing to pay for major network enhancements. The Regional Land Transport Committee will now develop a range of approaches and levels at which pricing might be set. A mandate will then be sought for the introduction of road pricing.

Selecting the best means...

Initial consultation with stakeholders represented on the Regional Land Transport Committee confirmed a preference for the enhanced strategy. The Committee, exercising political judgement, favoured modest additional pricing over full economically efficient pricing.

Social and economic impacts of pricing

The introduction of road pricing will generate social and economic impacts. The level of pricing chosen can vary these impacts. For example, the modelling shows that pricing at the most economically efficient levels would result in net economic (and social) losses to the region through severe losses in discretionary income.

Funding and pricing

Funding

Funding priorities for developments of the strategic transport network need to be determined in a way that is consistent with the policies of this Strategy. Transfund New Zealand's national funding criteria recognises the need for individual projects to be not inconsistent with Regional Land Transport Strategies.

The Regional Land Transport Committee believes that different modes of transport (car, bus, cycle, rail, ferry, for people or truck, rail or barge for freight) should be funded on a "level playing field" approach based on where they sit in the Strategy.

Analysis has shown that to achieve a significant difference in network performance against the objectives (particularly accessibility) there must be a significant enhancement. Incremental enhancements will not perform much differently from doing nothing. But

funding is constrained. Transfund New Zealand, using money collected from road users, funds all State Highway expenditure and contributes on average 50% to territorial local authority and regional council expenditure on local roading and public transport where these conform the Transfund criteria. The other 50% comes from ratepayers. In order to achieve significant enhancement additional sources of funding will need to be found.

Pricing

This Strategy introduces the concept of road pricing. Road pricing can be set at various levels:

- a modest level to help fund enhancements to the network of about \$20m a year
- a higher level, to manage congestion and influence behaviour (eg. modal choice)
- a full economic level, to capture true costs, including externalities.

The modest level, to help fund new infrastructure and services, is proposed in this Strategy. This level is proposed because:

- the modelling process has shown that modest pricing can help achieve benefits against the objectives
- willingness-to-pay research conducted early in this review identified support for pricing at a modest level only
- stakeholder consultation undertaken to date supports the enhanced strategy that requires a modest level of funding.

There may be some exceptions to this pricing to fund enhancements to the network. These exceptions would be in cases where new roading, eg Transmission Gully, results in substantially increased traffic pressure at other points in the network. In this case pricing may be used to manage congestion. Pricing to manage congestion is part of the long term scenario for land transport in the region.

When the strategy was drafted a detailed proposal for pricing was not put forward. As the submissions indicated there is basic agreement that enhancements should be funded through pricing, the Regional Land Transport Committee will now 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 full economic level of pricing that would capture true costs, including externalities, was modelled. This scenario would contribute significantly to the objectives of accessibility, safety, affordability and sustainability. However, efficient pricing on its own is likely to have disbenefits to economic development in the region by imposing large costs that exceed the benefits received by those who continue to use the road system. Economically efficient road pricing needs to be applied with the simultaneous optimisation of the total network to maximise the benefits to all users. This is likely to assist economic development prospects in the region. Further work will be undertaken on the issue of road pricing, particularly with respect to its synergy with network development so that a more definitive proposal that is consistent with all this strategy's objectives can be identified.

Objectives 2 & 3: Economic efficiency and affordability

Economic efficiency

To implement the most cost effective options.

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 the optimal benefit to the user.

Affordability

To plan for a land transport system that recognises funding constraints and ability to pay.

Theme 2.1 : Price the strategic transport network to encourage its efficient use¹

Analysis shows that pricing of roads can have a major impact on road use. The aim of these policies over the next 20 years is to achieve better traffic flow conditions on the road network at all times of the day through appropriate pricing. Less congestion means the roads are operating more efficiently.

2.1.1 Provide for additional pricing for the use of the roading network as a step towards ensuring all users pay the cost of their use, including externalities

The Government's roading reform package (announced in December 1998) could result in the proposed roading companies imposing various forms of road user charges. These charges will primarily be geared to rational commercial decision making. They may not reflect the full cost of road use. The Strategy seeks to provide the right modal choice signals. It is possible that the need for public transport subsidies will diminish.

2.1.2 Provide for pricing on major new roads to manage the demand on the road network and to help pay for additional projects and services

Major new roads will create downstream network capacity problems that need to be managed. This policy will improve the efficiency of the road network. It will allow in particular road freight that has a time cost, to pay for the ability to meet on time delivery demands. It will also reduce the need for additional road capacity onto routes where it is particularly expensive to provide such capacity.

2.1.4 Undertake a more detailed investigation of the role of road pricing in the region

The technical analysis has shown that road pricing has the potential to deliver significant accessibility, safety and environmental benefits in addition to providing a mechanism to fund investment in the region's transportation infrastructure. Further work will be undertaken to develop a more definitive proposal for the future role of road pricing in this region.

¹ [National Transport Statement](#)

Theme 2.2 : Contain the growth of commuter road traffic²

2.2.3 Provide for pricing at peak times to manage road demand and reduce road congestion

Congestion pricing even at modest levels, will reduce peak hour road travel. Some of the demand will be catered for by spreading the peak, some by use of other modes and some by travel demand suppression through increased cost of travel. The level of pricing applied needs to start below the marginal cost. This measure is to be used at selected locations and is not a general tool.

Projects to 2004

The major project over the next five years, associated with this objective, is the detailed investigation of road pricing in the Region.

Objective 5 : Sustainability

To provide a land transport system that operates in a manner that recognises the needs of the community; avoids, remedies or mitigates adverse effects; uses resources in an efficient way; and supports an optimal demand for energy.

Policies

Under the Land Transport Act all land transport projects must have regard to the effect the transport system is likely to have on the environment. The modelling process included sustainability as one of the criteria for developing the enhanced package. The following policies will be needed to implement this objective.

Theme 5.1 : Minimise the impact of transport on the environment³

The continuing strong growth in demand for personal mobility within the Wellington Region, as in the rest of New Zealand, means that the impact of road transport on the environment will continue to grow. The Regional Policy Statement also provides a policy framework for measuring the environmental impact of transportation.

5.1.3 Price at peak times on the road network to mitigate adverse impacts of road use

Congested road traffic causes more air pollution than free flowing road traffic. Some streets in Wellington City already have air pollution levels higher than the International Guidelines. Predictions suggest other roads will also exceed these standards in the future as traffic flows increase. Influencing road congestion through pricing is one way of mitigating these problems.

² [Regional Policy Statement, Built Environment and Transport Chapter, Policy 4, Method 3](#)

³ [Regional Policy Statement, Built Environment and Transport Chapter, Policy 4, Method 4](#)

Projects to 2004

As sustainability was one of the major factors used in the modelling process, all proposals in the selected packages are those which, on balance with the other four objectives, best meet the need to provide a land transport system which operates in a way that recognises the needs of the community; avoids, remedies or mitigates adverse effects, uses resources in an efficient way and supports an optimal demand for energy.

Sustainability will be enhanced by the balancing capacity along the length of the entire route, managing the growth of commuter traffic, monitoring air quality and fuel consumption, increasing the availability and attractiveness of rail travel, and enhancing rail and slow mode travel.

Corridor Plans

Road pricing

There is a case for introducing road pricing in the Wellington Region. Analysis has shown that where road pricing is used to fund selected new infrastructure and services, there is a gain in total network performance, economic efficiency and to the economy. Road pricing can be useful in managing some of the adverse impacts of new infrastructure such as induced traffic, balancing network flows and environmental impacts. At this stage road pricing set at a level to change behaviour and reduce demand on total network is not advocated. Analysis has shown that in Wellington such an approach is not required and is likely to lead to a net loss to the local economy. Careful consideration of the mechanism of road pricing is now required.